



## Report to Policy Committee

**Author/Lead Officer of Report:**  
**Catherine Bunten**

**Tel:**

<b>Report of:</b>	Strategic Director of Adult Care and Wellbeing
<b>Report to:</b>	Adult Health and Social Care Committee
<b>Date of Decision:</b>	16 <sup>th</sup> March 2023
<b>Subject:</b>	Market Sustainability: Adult Social Care Fee Rates 2023/24

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? 1491				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input 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: -				
<i>Appendix 3 is not for publication because it contains exempt information under Paragraphs 3 &amp; 5 of Schedule 12A of the Local Government Act 1972 (as amended).</i>				

**Purpose of Report:**

The purpose of this report is to seek approval to proposed fee rates for Council contracted providers in the financial year 2023-24. It is proposed that these rates take effect from 10<sup>th</sup> April 2023.

The report additionally requests approval to undertake a cost of care exercise for non-standard accommodation with care provision in 23/24 to inform future commissioning and strategy.

This report sets out the process that the Council has followed and the analysis that informs the proposed fee rates to ensure a sustainable social care market, able to offer a diverse choice of quality provision.

**Recommendations:**

It is recommended that Adult Health and Social Care Committee:

1. Notes that the rates for Homecare and for services within the Adults Disability Framework (Supported Living, Day Activities and Respite/Short Breaks) and rates for Enhanced Supported Living have been set by previous Committee decisions and through procurement in 2022/23 with new contracts due to begin from April 2023.
2. Approves the award of short-term contracts, at a rate of £21ph for 6 months from 10<sup>th</sup> April 2023 with an option to extend for a further 6 months, to Homecare providers on our existing Framework contract.
3. Approves an increase of 9.74% to the fee rate for Care at Night and Extra Care (care element only).
4. It is proposed that the Council will provide an increase of direct payments of 9.74% for those buying provider support and for PA employers a rate of 9.68%.
5. Approves an increase of 9.74% to the fee rate for Dementia day care.
6. Approves a rate of £14.50 per week for Council provided Appointeeship services.
7. Agree the savings identified in Option 2 of Appendix 3 to enable the increase to £630 per week for contracted standard care homes and approve that increase.
8. Approves an increase of up to 9.8% for non-standard care home rates that are individually negotiated subject to contractual compliance.
9. Delegates authority to the Director of Adult Health and Social Care and Director of Finance in consultation with the Co-Chairs of the Adult Health and Social Care Policy Committee to agree any appropriate and proportionate fee increases requested by care homes outside Sheffield because cost pressures will vary from place to place.
10. Delegates authority to the Director of Adult Health and Social Care in consultation with the Co-Chairs of the Adult Health and Social Care Policy Committee to take all other necessary steps not covered by existing delegations to achieve the outcomes outlined in this report.

## Background Papers:

[Recommissioning Homecare Services Report](#) June 15<sup>th</sup> 2022

[Supported Living, Respite and Day Services for Working Age Adults Report](#)  
September 21<sup>st</sup> 2022

[Commissioning of City Wide Care at Night Services Report](#) December 19<sup>th</sup> 2022

[Fair Cost of Care Report](#) December 19<sup>th</sup> 2022

[Market Oversight and Sustainability Report](#), February 8<sup>th</sup> 2023

## Appendices:

Appendix 1: Care Home Consultation Analysis

Appendix 2: ASC Fee Rates 2023-24 EIA

Appendix 3: (Confidential)

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: <i>Liz Gough</i>
		Legal: <i>Patrick Chisholm</i>
		Equalities & Consultation: <i>Ed Sexton</i>
		Climate: <i>Jessica Rick</i>
	<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	<b>SLB member who approved submission:</b>	<i>Alexis Chappell</i>
3	<b>Committee Chair consulted:</b>	<i>Cllr Angela Argenzio and Cllr George Lindars-Hammond</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 Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>Catherine Bunten</i>	<b>Job Title:</b> <i>Assistant Director, Commissioning and Partnerships</i>
	<b>Date:</b> <i>08/03/23</i>	

## 1. PROPOSAL

- 1.1 The report seeks approval to proposed fee rates for Council contracted providers in the financial year 2023-24. It is proposed that these rates take effect from 10<sup>th</sup> April 2023.
- 1.2 This report sets out the process that the Council has followed and summarises available assurance that the proposed fee rates will continue to ensure a sustainable, quality and diverse social care market as set out in the [Market Oversight and Sustainability Report](#) and accompanying Market Oversight and Sustainability Plan presented to Committee on 8<sup>th</sup> February 2022.
- 1.3 Proposals are informed by consultation and engagement with local social care providers through the Fair Cost of Care exercise, through the development of the Care and Wellbeing Tender (delivery of homecare, tender closed in November 2022) and the development of the Adults with a Disability Framework (tender closed in January 2023), and through a specific consultation with Care Homes in the City on the proposed fee increase for standard and non-standard residential care.
- 1.4 The proposals seek to balance significantly increasing costs for care providers with increasing costs for the Council's other essential services and in the context of a budget balanced through use of reserves and ambitious savings through 2022/23 and into 23/24.
- 1.5 Proposals are also made alongside analysis of the local and regional markets and with assurance that the Council continues to meet its legal responsibilities and Care Act duties in securing a sufficient and stable market, able to support assessed care needs of people in the City and provide choice and continuity of care.
- 1.6 Additionally, proposals are made within the context of the Council needing to provide Care Quality Commission (CQC) assurance. CQC assessments will focus on how local authorities discharge their duties under Part 1 of The Care Act (2014). This will focus on 4 themes:
1. How local authorities work with people
  2. How local authorities provide support
  3. How local authorities ensure safety within the system
  4. Leadership
- 1.7 Fee setting, as part of our duties in market oversight and sustainability is particularly relevant to providing support.
- 1.8 The fee setting process and timeline this year has been influenced by the Fair Cost of Care exercise and associated timelines, and by commissioning strategies and procurement for several service areas. The fee setting process in 2024-25, including consultation where appropriate, will align with Business Planning for 2024-25.

## 2. Community based care and support

### 2.1 Homecare

**It is proposed that the Council will increase Homecare rates to £21ph.**

2.1.1 The proposed rate for Homecare was agreed at Adult Health and Social Care Policy Committee in June 2022. This was informed by a Sheffield Council led cost of care analysis for homecare providers and in anticipation of further Fair Cost of Care Funding from Central Government. The June 22 committee report [Recommissioning Homecare Services](#) recommended a single rate of £21ph for the new Care and Wellbeing (Homecare) contract, representing an increase of 10.24% against the average rate at the time of £19.05ph and a significant step towards the FCOC median output of £21.60ph in 2022-23.

2.1.2 In December 2022, Adult Health and Social Care Policy Committee agreed to make an early step towards this rate, increasing our rate by 20 pence an hour, using the 2022/23 Fair Cost of Care Fund to achieve this.

2.1.3 The new Care and Wellbeing contracts are anticipated to be live in Autumn 2023. However, it is proposed that the rate agreed by Committee for those contracts (£21ph) is applied from 10<sup>th</sup> April 2023; providing this rate to providers on our current framework in advance of the new Care and Wellbeing (Homecare) contract being live.

2.1.4 It is proposed that the interim commissioning arrangements would apply from 10<sup>th</sup> April 2023 for up to a year; ceasing in accordance with the mobilisation period of the new Care and Wellbeing contracts. Providers would not be asked to deliver to the specification of the new contract for this interim period and would continue to be subject to terms consistent with their existing contracts.

2.1.5 Committee is asked to approve commissioning on this basis for this interim period.

#### 2.1.6 *Summary Market Oversight and Sustainability:*

- There are a large number of homecare providers in Sheffield. The Council contracts with over 85 providers, 35 of which are operating within our Framework contract.
- The homecare market in Sheffield has stabilised, and we are seeing a sustained reduction in the number of packages waiting and improved timeliness of pick up.
- We are also continuing to support hospital discharge well and have more providers keen to support this pathway.
- Achieving a sustainable and sufficient workforce continues to be a key pressure for Homecare providers. High staff turnover and workforce instability impacts negatively on the experiences of people receiving home care; increases changes in support provision; causes delay in support pick up; reduces the quality of care; and increases provider's costs.
- Provision is generally Good (CQC rates 67% of homecare providers in Sheffield Good or Outstanding) and contract monitoring and oversight

ensures that providers are supported in continual improvement. A process for escalation exists where providers fall below acceptable standards.

- There is sufficient capacity across the whole market to ensure continuity of care and whilst we anticipate demand continuing to grow (an increase from both projections for 65+ population to increase and focus on the 'Home First' model) there are no indications that the market will not be able to meet current and future demand given the delivery plans for ASC and homecare in Sheffield currently in progress.
- Sheffield City Council rates for homecare have historically been comparable with regional rates.
- The Fair Cost of Care (FCOC) exercise highlighted a gap between current rates and the median FCOC output, and the move to £21ph supports us to close this gap. In the current contract, there are variable rates across the city. The increase to £21ph will therefore represent a variable percentage increase for different contract areas.

2.1.7 As we move away from the current model for homecare to the Care and Wellbeing Model, the City will benefit from a renewed market, with existing and new providers delivering an outcome focused contract, focussed on neighbourhood/area delivery and building community connections for the benefit of people in the City.

2.1.8 The model is anticipated to improve recruitment and retention with reduced distances to travel for staff, opening up employment possibilities to those who don't drive, and being more efficient for those who do.

2.1.9 Recent procurement for our new Care and Wellbeing homecare model, at £21ph saw a high interest from existing and new providers. We anticipate that our transition to the new model and contracts will further stabilise homecare provision in the City in the following ways:

- the new model of homecare moves towards a community integrated care and wellbeing approach, collective Practice Standards across Adult Social Care and Commissioned services will seek to drive practice that is outcome focused, strength-based, community connected, and person led so that all social care support is focused on enabling people to live independently, live the life they want to live and have positive experiences of care.
- Contracting with a fee rate that is sufficient to sustain better workforce retention and recruitment, in turn supporting timelier support pick up, improved continuity of care, and better outcomes for Sheffield people.
- Improved accessibility, stability, and continuity of care provision by moving to an increased contract duration and guaranteed payment to providers for a proportion of the anticipated volume, supporting business continuity, forecasting, and planning.
- Geographical alignment of support with a single provider operating in each the 16 contracted patches, operating as equal partners within multi-disciplinary and collaborative working arrangements across health and social care. It is anticipated that this will strengthen partnership working, improving monitoring arrangements, supporting provider efficiencies and sustainability, and reduce travel for care staff - and in doing so reduce our carbon footprint.

- Moving away from a time and task model (where the focus is delivery on requested hours) to an outcome-based model where care is focussed upon the priorities and goals a person wants to achieve to improve their wellbeing and independence. Providers will be asked to demonstrate – including through Trusted Reviews (Care Plans) - how they have enabled an individual to improve their wellbeing and live more independently and in doing so reduce the need for care and support.
- Changes to the payment and charging model. Switching from payment based on minutes of care delivered to payment based on planned care will shift the emphasis away from time and task; it will give providers more certainty and people more timely and more reliable invoices; and it will reduce complexity and improve efficiency. People in receipt of care will also be charged on planned hours.
- Asking providers to ensure a robust workforce development plan which ensures the recruitment and retention of a diverse care workforce so that individuals are supported by a workforce that reflects the population of Sheffield, reflects their cultural preferences, and delivers culturally appropriate care. Reducing turnover to 15% would save providers over £2.7 million in recruitment costs over the course of the contract.

2.2 *Adults with Disability Framework (Supported Living, Activities outside the home, short breaks) and Enhanced Supported Living*

2.2.1 Rates for these services are inclusive of 23/24 uplift and are provided below:

<b>Supported Living</b>	
Support during the day: Single rate	£21.00 per hour
Support during the day- Discounted rate- for services where more than 56 hours per week are delivered	£19.49 per hour
Support during the night: Waking Night	£19.49 per hour
Support during the night: Sleeping Night	£75.00 as a maximum flat rate

<b>Activities outside the home</b>
The fee for 1:1 support is £21.00 per hour.
Providers have responded to the tender with additional costs for activities/provision to support a greater variety and choice. The procurement process is ongoing.

<b>Overnight Short breaks</b>	
<b>Sub-Lot 1: Community based overnight short breaks</b>	
Cost per night (hotel costs & background & night staff costs)	£270.00
Addition 1:1 support cost- per hour	£19.49

<b>Sub-Lot 2: Overnight short breaks for individuals with</b>
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<b>physical needs</b>	
Cost per night (hotel costs & 24hr costs)	£345.00
Addition 1:1 support cost- per hour	£19.49

<b>Enhanced Supported Living</b>	
Framework rate set between £21-26ph.	

- 2.2.2 Committee is asked to note that the rates for services within the Adults with a disability Framework (Supported Living, Day Activities and Respite/Short Breaks) and rates for Enhanced Supported Living have been set in previous Committee reports and through procurement in 2022/23 with new contracts due to come into being in April 2023.
- 2.2.3 Tendering for these services was carried out in Autumn / Winter 2022, and the procurement process is ongoing. In 2023, there will be new models of care for services for adults with a disability that are:
- outcome focused, strength-based, community connected, and person led approaches so that Adults can live the life they want to live and have positive experiences of support and care.
  - Led by co-production and co-design.
  - Flexible and offer choice alongside excellent quality, inclusive, socially valued and culturally appropriate support and care.
  - Supportive and valuing of our social care workforce.
- 2.2.4 There will be a requirement for all providers to develop new and flexible approaches in partnership with adults with a disability, and their families and wider stakeholders. For example, there are opportunities for providers to develop community hubs in the local area and establish networks between the different supported living and day service settings.
- 2.2.5 It is our intention that the recommission of services are suitable for people with a learning disability, autism spectrum disorder (ASD), Physical Disabilities (PD) and Sensory Impairment (SI).
- 2.2.6 We recognise that providers often work in isolation across different types of service provision that an Adult may need to achieve their outcomes. It's our intention through this recommission to encourage providers to be able to support an individual to achieve their outcomes, across the whole of their lives, and crucially across provision instead of each aspect of someone's day being delivered by a separate service. For example, enabling individuals' greater choice to stay at home or take part in activities in their local community or community of interest rather than travelling to a building-based activity every day.
- 2.2.7 The new model will involve a transformation of the existing arrangements, to ensure that the Council has the services available to deliver support and care which can improve individuals' outcomes, wellbeing and independence as well as increase the diversity of provision to offer more choice to individuals, their families and proxies. Furthermore, which values our social care workforce and brings long term sustainability and stability to the social care market so that individuals and



families can experience continuity of care.

## 2.3 *Care at Night and Extra Care*

2.3.1 **It is proposed that the Council will provide an increase of 9.74% to the fee rate for Care at Night and Extra Care (care element only).**

2.3.2 Care at Night provision is jointly commissioned by Sheffield City Council and South Yorkshire ICB: Sheffield Place. A single provider delivers Care at Night in the City, and the recommendations in [a report](#) setting out the Council's intentions for future commissioning to secure a stable, quality and efficient provision was agreed in December 2022.

2.3.3 There are five Extra Care Schemes in the City, providing accommodation for people with housing or care needs. The Council contracts with a single provider to deliver care and support for Older People with eligible care needs.

	<b>Total Tenants</b>	<b>Tenants with eligible care needs</b>	<b>Hours care delivered pw</b>
Buchanan Green	185	88	610
Guildford Grange	40	23	209
The Meadows	37	23	195
Roman Ridge	77	38	495
White Willows	58	28	229
Total	<b>397</b>	<b>200</b>	<b>1738</b>

Care provision has been stable and of high quality, with good relationships between the care providers and landlords at the schemes.

Historically, Sheffield fee rates for Extra Care (care element) have been comparable to regional neighbours. We have also had a good response to recent Tender. In our recent tender, providers were required to breakdown their costs and quote their hourly rate.

## 2.4 *Dementia Day Time Opportunities*

2.4.1 **It is proposed that the Council provide a 9.74% increase to contracts delivering Dementia Day Time Opportunities** care that reflects National Living Wage and Consumer Price Index

2.4.2 Dementia day activities are funded by Sheffield City Council with a contribution from South Yorkshire ICB: Sheffield Place. Four providers (3 voluntary/charitable organisations) deliver these services at various locations across the city, and they support people of all ages living with dementia including younger adults.

2.4.3 Daytime opportunities offer the individual a chance to meet with others in a safe and welcoming environment and support people with and without care needs to engage in meaningful activities and support to enhance wellbeing. In doing so in a significant number of situations this supports an unpaid carer to have a break from their caring responsibility

2.4.4 During 2023/24 there will be an updated commissioning plan developed for dementia daytime opportunities. This will include a review of the current services, a needs and demand analysis and consideration as to whether the current daytime activities are meeting needs and offering the sort of support which delivers better outcomes for people. The commissioning plan will make recommendations for change where this is needed.

## 2.5 *Direct Payments*

2.5.1 **It is proposed that the Council will provide an increase of direct payments of 9.74% for those buying provider support and for PA employers a rate of 9.68%.**

2.5.2 Direct Payments are available to people of any age and have been in use in social care since the mid-1990s. Direct Payments are monetary payments made to individuals who request them to meet some, or all, of their eligible care and support needs. It is made in lieu of services. The legislative context for Direct Payments is set out in the Care Act, Section 117(2C) of the Mental Health Act 1983 (the 1983 Act) and the Care and Support (Direct Payments) Regulations 2014.

2.5.3 They are a preferred mechanism for personalised care and support as they provide independence, choice, and control by enabling people to arrange and manage their own support.

2.5.4 Integral to this independence is ensuring that the Direct Payment is sustainable for person in receipt, year on year. This means creating systems that cause minimal disruption to arranging support. Two key elements are ensuring annual uplifts to manage inflation and ensuring adequate funding is in place to purchase appropriate support.

2.5.5 Increasing Direct Payments annually ensures the Council's statutory duty are met. The two increases based on those purchasing support from providers which percentage increase is in line with other commissioned services, and for those who employ Personal Assistants it covers the full employment related expenditure.

## 2.6 *Appointeeships*

2.6.1 **It is proposed that the Council have a rate of £14.50 per week for Council provided Appointeeship services.**

2.6.2 If someone loses the capacity to manage their finances, for example due to dementia or a severe stroke, another person, or a local authority, can become a deputy or an appointee to take responsibility for their financial affairs. Within Sheffield City Council, Executor Services, which forms part of the Social Care Accounts Service, carry out this work for over 700 clients.

2.6.3 Fee rates for Deputyship are set by the Court of Protection and the Council charges the individual accordingly. For Appointeeships this is a local decision and the cost forms part of the individual's personal budget. A fee rate has been

established to ensure that the support plan accurately reflects the full cost of support for each person.

2.6.4 These rates have not been changed since 2018 when the service was first set up in the council. It is proposed that the fee rates for Appointeeships are increased in line with financial modelling £14.50 per week.

2.6.5 This increase reflects increases in salary costs, additional staffing requirements and a new contract for pre-payment cards. Based on current information this will directly impact around 20 individuals whose contributions will increase in line with the revised rate.

2.6.6 As we are these individuals' financial representative, we have a dual responsibility to consider as both the provider and the persons representative. The key consideration is that £14.50 represents good value for people compared to the current average private rate of £21.98 and it is reasonable for an increase to occur to reflect the increased cost of running the service.

### **3. Accommodation with Care**

3.1 **It is proposed that the Council will provide an increase of up to 9.8% for in City non-standard care home rates that are individually negotiated, subject to contractual compliance.**

3.2 This reflects the difference between the wage levels calculated in the fee rate for 22/23 and the new National Living Wage for 23/24 (£10.42) for the staffing element of the fee rate increase and the Consumer Price Index (as at September's CPI – the month used by DWP for calculating pension contributions) for non-staffing costs.

3.3 **Following consultation with Care Homes on a proposed rate of £620pw (a 9.8% increase), it is proposed that the Council will provide an increase of 11.5% for contracted standard rate care homes in the City, subject to approval of savings set out in Appendix 3.**

3.4 This uplift is applied to the in-year uplift given in 2022/23 through use of the Fair Cost of Care fund, thereby further closing the gap between SCC's current rates and the median output from the Fair Cost of Care Exercise in 2022/23. **This would take the standard rate for Care Homes to £630pw.**

### **3.5 Fair Cost of Care**

3.5.1 The fair cost of care exercise in Sheffield was completed in 2022, with good levels of engagement from Care Homes in the City.

3.5.2 Government guidance accompanying the exercise stated that: *"Fair cost of care" means the median actual operating costs for providing care in the local area (following completion of a cost of care exercise). This must include and evidence values for return on capital and return on operations. This is, on average, what local authorities are required to move towards paying providers.*

3.5.3 An independent consultant (Laing Buisson) was appointed to carry out the field

work and report writing for the care home Cost of Care exercise in Sheffield. Laing Buisson were selected via a “request for quotes” process throughout which care home providers were closely consulted.

3.5.4 Providers were required to submit detailed costs associated with running the business including:

- Staffing
- Supplies
- Premises (for care homes)
- Profit/Returns

3.5.5 Outcomes for 65+ Care Homes were as follows:

Provision type	Median FCOC rate, 22/23			95% confidence range
	Operating Costs	Profit	Total	
<b>Standard residential care homes</b>	£653.63	£133.91	<b>£787.54</b>	£743-£915
<b>Enhanced residential care homes</b>	£670.46	£135.60	<b>£806.06</b>	£764-£931
<b>Standard nursing homes</b>	£825.43	£151.09	<b>£976.52</b>	£876-£1152
<b>Enhanced nursing homes</b>	£882.47	£156.80	<b>£1039.27</b>	£911-£1183
41 responses (58.5% response rate) Profit model: 6% ROC, 10% ROO				

3.6 *Summary Market Oversight and Sustainability:*

3.6.1 In recent years, and despite the impact of the pandemic, the Care Home market in Sheffield has remained stable and of good quality. We recognise that now, the market is more fragile and some support is needed to ensure the future sustainability of the market.

- There are over 100 Care Homes in the City<sup>1</sup> ranging from small, single homes to large national organisations.
- The sector has experienced lower occupancy in recent years - with an oversupply of residential beds (averaging 73.55% - 89.38% occupancy according to the FCOC exercise). Low occupancy levels may increase the risk of poorer quality provision and practice as the financial impact affects staffing, morale, and the risk of accepting residents whose needs cannot be met to increase income.
- Demand for residential provision is likely to remain, however, as demand for increased levels of domiciliary care continues to rise as people wish to stay at home and the NHS promotes the principles of ‘Home First’, we

<sup>1</sup> [Care Homes - Care Quality Commission \(cqc.org.uk\)](http://cqc.org.uk)

anticipate an increase in demand for residential care to meet more complex need. We will seek to work in partnership with providers to develop this market as part of our [Transforming Care Homes](#) commissioning strategy and delivery plan.

- Since 2015, 5 homes have closed related to practice, and 12 related to financial reasons. The Council, has not seen any care home closures significantly impacting on capacity before or post the pandemic period.
- Rising energy costs have hit the sector particularly hard, with increases of over 300% in some cases. By taking steps to improve energy efficiency, care homes and nursing homes could reduce their overheads and have more money to invest into their services. They could also reduce their carbon footprint and help with environmental sustainability. Helping residential care homes to identify appropriate energy efficiency options and secure funding to make these changes will help to reduce energy bills and improve the comfort of their residents.
- As with other provision in the Adult Social Care sector, Care Homes are facing significant pressure with staffing and there is a consistently high use of agency staff, impacting on both costs and quality.
- Sheffield Council fee rates are lower than regional averages, and a financial assessment of the market in early 2022 suggested that approximately 20% of Care Homes may be in moderate – high risk of business failure. Whilst Sheffield has a range of providers and business models – with some homes able to manage fluctuations and debt more than others, the culmination of many cost pressures means that financial viability is worsening, and this noted in the **feedback from consultation in Appendix 1**.
- The commitment of providers to offer high quality care and support is evidenced in our CQC judgements. Despite the ongoing pressures of recruitment, rising costs and the legacy of Covid for Older People's Care Homes, 87% of residential homes and 77% of nursing homes are rated as Good or Outstanding by CQC, which is better than the national average.

3.6.2 We are committed to working with providers to ensure a 'Cost of Care' that supports a sustainable care market and protects people from unpredictable costs; offers more choice and control over care received, offers quality provision; and is accessible to those who need it.

3.6.3 All adult social care provision is valued and appreciated; however, budgets are severely limited and for this reason, a targeted approach is recommended to focus on the area at highest risk of market failure.

3.6.4 The recommended proposal is therefore to offer an additional £10pw uplift to the standard rate for Care Homes. This would begin to address some of the issues Care Homes are facing. The total cost to the Council of the additional £10pw is estimated at £608k a year.

3.6.5 It is our intention to work with providers to move towards the care workforce achieving the Foundation Living Wage, and to ensure that we maintain a sufficient and stable market, offering choice, quality, and value for money and efficiency in our residential provision by delivering the [Transforming Care Homes](#) programme.

3.6.6

The Transforming Care Homes [Commissioning Plan](#) and [delivery plan](#) was presented to and approved by Committee 8<sup>th</sup> February 2023. Specifically, this programme of work seeks to:

- Develop improved contracting arrangements and consistent bands and rates for non-standard care provision and bed prices. This includes undertaking a cost of care exercise for non-standard care provision, and Committee are asked to approve the purchase of software, licences and support of this exercise. This is anticipated to be approximately £30,000.
- Work in collaboration with providers to showcase high quality provision, promoting care homes in the City as a positive choice as a place to live and work.
- Improving stability through planned market shaping and support, increasing occupancy and ensuring we develop provision that can meet needs now and in the future.
- Support and grow partnerships and collective ways of working – for example, seeking out opportunities to improve terms and conditions for the workforce, or exploring new models and provision with Care Home providers. To better understand the differential of costs of delivery across the sector, and to support all provider to deliver at the most efficient levels to ensure quality, innovation and value for money.

3.6.7

This is further described in the response to consultation summarised below.

3.6.8

As well as engagement and feedback throughout the Fair Cost of Care Exercise, as set out in the [Fair Cost of Care Report](#) agreed at Adult Health and Social Care Committee on 19<sup>th</sup> December 2022, **consultation on the proposed uplift (including the increase of the standard residential rate to £620 pw) has been undertaken with Care Homes in the City during February 2023.**

3.6.9

We received a total of 20 responses from providers (out of 62 across older peoples and working age adults) representing 35 homes. The responses came from a mixture of large and small providers, covering homes mainly receiving funding at the standard rate and those who also have high numbers of non-standard packages. Responses were received from both Residential and Nursing providers, and those providing support to both 65+ and under 65 years of age. Not all responses answered every question.

A summary of responses is provided below, with a fuller analysis in Appendix 1

3.7

*Standard Rate Care Homes*

3.7.1

Most providers who contract on the standard residential rate felt the proposed rate of £620 would have a negative or neutral effect on the home. Two Homes felt that the proposed rate would have a severely negative impact on them, and it is likely they will have to close in the current financial year. The actual figure for homes at high risk of closure may be higher than this as the response rate was approximately 33% of homes.

3.7.2

A small number of homes thought the proposed rate would enable them to balance costs across settings.

3.7.3

From the consultation and previous engagement with providers and analysis it is

possible to identify some characteristics of homes most at risk of closure.

- *Residential Homes* – These currently have lower occupancy rates than nursing homes in the city and admissions into them have still not recovered to pre-pandemic levels. The level of care offered is also more likely to be possible to be replicated in other settings such as the person’s own home or extra care housing.
- *Older Care Homes* – These may be less appealing to prospective admissions and maintenance costs are likely to be higher and increasing faster than the rate of inflation. For example, they may be less likely to have en-suites which can make them less appealing to new admissions and limit income from self-funders or third party top ups. They are also more likely to have double rooms meaning homes operate below their registered capacity.

#### Response

- 3.7.4 Following consultation with Care Homes, it is proposed to increase the standard rate for residential care homes to £630 pw.
- 3.7.5 We asked homes to rate their current pressures in relation to other pressures they faced from greatest to lowest. 33 homes answered this question.
- The most common answer for the greatest pressure currently facing care homes is **Agency Staff Costs**. With 10 homes saying this was their greatest pressure. Overall, this was mentioned by 29 homes, 27 of whom had it in their top 5 pressures. This pressure appears partly from the increased reliance on agency workers and associated cost.
  - Linked to this, **Staff recruitment and retention of care staff** was an issue for 30 homes and the highest pressure for 3. 26 homes had it in their top 5 pressures.

#### Response

- 3.7.6 We will prioritise our support and development offer to the care sector workforce in Sheffield. We will work with provider markets to explore mechanisms by which they can improve the terms and conditions for staff.
- 3.7.7 This will be achieved by delivery of the Care Sector Workforce Strategy (to be presented at AHSC Policy Committee 16<sup>th</sup> March 2023) and developing a joint plan to move to Foundation Living Wage for care staff quicker.
- 3.7.8 The steps we are taking include exploring ways in which the Council can support the sector to mitigate high agency costs. This may include growing in-house bank staff and/or looking at co-commissioning models for agency contracts- either with the Council; through provider collaboratives; or via vehicles such as the Sheffield Care Association as well as further work on developing differential fee rates to reflect both the level of care and support provided and the terms and condition of staff.
- 3.7.9 The proposed increase to £630pw supports us to do this.
- 3.7.10
- **Energy costs** was rated as the greatest pressure for 9 homes, this was the 2<sup>nd</sup> highest concern. All 33 homes who answered this question rated it

as a pressure, 31 of which in their top 5 concerns.

Response

- 3.7.11 The Council has worked with Business Sheffield to develop and deliver a series of webinars to support the provider market. These have included Digital Innovation, Practical solutions to recruitment and retention, and Energy Savings.
- 3.7.12 The Council must continue to work with providers to support capital investment to allow homes to be more energy efficient, helping to reduce energy bills and improve the comfort of their residents.
- 3.7.13 The increase in energy costs may be a temporary impact, and officers have lobbied Government to provide investment to the sector to manage these costs.
- 3.7.14
- **Local Authority/ICB fees** were listed as the greatest pressure by 9 homes. Whilst this is lower than agency costs or energy costs a further 18 homes listed it as their 2<sup>nd</sup> biggest concern. **This means it was in the top 2 concerns for more homes than any other issue.**

Response

- 3.7.15 Following consultation with Care Homes, it is proposed to increase the standard rate for residential care homes to £630 pw.
- 3.7.16
- **Low Occupancy/referrals** were the biggest concern for 5 homes and the 3<sup>rd</sup> biggest concern for a further 3. It was ranked low for 16 of the other homes that mentioned it. This reflects that whilst many homes occupancy levels have now returned to viable levels some homes are still struggling and may only be half full.

Response

- 3.7.17 Increasing occupancy rates is a key outcome in the Transforming Care Homes programme. We will work in the short and medium term to support Care Home providers to prepare for changes in levels and demographics of demand, shaping the market to meet current and future care needs in the City – critically to improve capacity in nursing and more complex care provision and reducing general residential capacity to more sustainable levels. This will also include working with providers to diversify where appropriate.
- 3.7.18 We asked care home providers if they had any comments related to the Fair Cost of Care exercise or the proposed standard rate for care homes. We received 12 qualitative responses to this question. There did not appear to be any challenge to the validity of the results produced by the exercise, however, two providers commented that it was an onerous process.
- 3.7.19 10 of these responses stated that the uplift offer was insufficient due to the size of the gap between the offer and the fair cost of care. Five responses suggested the gap between the council standard rate and the fair cost of care will increase due to current inflationary pressures or the historic low fee paid. Three responses point to the Sheffield fee rate being lower than other local authorities in the



region.

#### Response

- 3.7.20 Following consultation with Care Homes, it is proposed to increase the standard rate for residential care homes to £630 pw.
- 3.7.21 A rate of £630pw closes the gap to meet the Lower Quartile Fair Cost of Care outcome for standard residential beds, covering both costs and a healthy profit margin, and – alongside the delivery of the commissioning programme for Care Homes the Council is already undertaking – is considered to support the future sustainability of the market.
- 3.7.22 As energy costs stabilise in the future, and work is delivered to support the sector – including improved workforce stability, and development of collective purchasing, it is anticipated that the cost of providing care will achieve further efficiencies.
- 3.8 *Non standard Care Homes*
- 3.8.1 We asked providers on their views on the proposal of a 9.8% uplift for in City, non-standard care home placements.
- 3.8.2 10 providers provided qualitative feedback to this question with most thinking the proposal was insufficient. Five of these providers stated that they would challenge the uplift or that it would lead to unsustainable services, a further three felt the uplift was below what their increased cost pressures would be but would accept the uplift or could cope with it. A further provider felt the offer was in line with inflation, but their current fees were too low, only one provider felt this offer was in line with their predictions.
- 3.8.3 The reasons given by non-standard providers for the proposal being insufficient were in line with the reasons given by standard rate providers, for example rising energy costs, recruitment and retention issues and rising agency costs.
- 3.8.4 Response  
Non-standard rate Care Home placements are individually negotiated and agreed with providers prior to admission at a level that allows the delivery of the level of care and support an individual needs. An inflationary based uplift is considered appropriate for these rates.
- 3.8.5 Providers who wish to challenge the uplift will be supported to submit their costs for review through an open book exercise.
- 3.9 It is proposed that Committee delegates authority to the Director of Adult Health Social Care and Director of Finance in consultation with the Co-Chairs of the Adult Health and Social Care Policy Committee to agree any appropriate and proportionate fee increases requested by care homes outside Sheffield because cost pressures will vary from place to place.

## 4. HOW DOES THIS DECISION CONTRIBUTE?

### Local Context

- 4.1 We have developed an [Adult Health and Social Care Strategy](#) and [delivery plan](#) to set out our vision for 2022 to 2030. Called ‘Living the life you want to live’, it is about how we work together to help the people of Sheffield to live long, healthy and fulfilled lives.
- 4.2 Our Adult Social Care Vision is that *everyone in Sheffield lives in a place they can call home, in communities that care, doing things that matter to them, celebrated for who they are - and when they need it, they receive care and support that prioritises independence, choice, and recovery.*
- 4.3 The vision is centred around delivery of five outcomes and six commitments. Our outcomes help to make our vision real – they are about what we want to focus on getting right. Our commitments are guiding principles we will follow and describe how we will achieve our outcomes and highlight what we want to do better.
- 4.4 The proposals in this report align with our vision and primarily supports the delivery of Commitment 6:  
***‘We will make sure there is a good choice of affordable care and support available, with a focus on people’s experiences and improving quality’.***
- 4.5 Specifically, the ASC strategy delivery plan sets out the intention to:
- Develop Market Position Statement[s] so that providers have the information they need to develop new business models (by March 2023)
  - Implement the Market Position Statement and refresh the statement on a three yearly cycle. (April 2023 to March 2029)
- 4.6 This proposal also meets the ‘Efficient and effective’ outcome set out in the Adult Social Care Strategy. Effective Market Shaping should ensure that people have a choice of good services that meet their needs and give them a positive experience regardless of their background, ethnicity, disability, sex, sexual orientation, religion, or belief.
- 4.7 This proposal supports a broad range of strategic objectives for the Council and city and is aligned with “[Our Sheffield: One Year Plan](#)” – under the priority for Education Health and Care; Enabling adults to live the life that they want to live.

## 4.8 National Context

Local authorities' duties in Market Shaping are covered in section 5 of the Care Act 2014:

A local authority must promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market:

- a) has a variety of providers to choose from who (taken together) provide a variety of services;
- b) has a variety of high quality services to choose from;
- c) has sufficient information to make an informed decision about how to meet the needs in question.

4.9 Taken together with ongoing commissioning and partnership work with provider markets, the proposals are considered to meet the Council's legal responsibilities by being sufficient to support a stable market able to meet people's assessed care needs.

## 5. **HAS THERE BEEN ANY CONSULTATION?**

5.1 Consultation and engagement has included:

- Engagement with Care Home and Home Care providers by officers, and by Laing Buisson in the completion of the Fair Cost of Care exercise for 18+ domiciliary care and 65+ care homes.
- A dedicated consultation with Care Homes in the City on the proposed weekly standard rate for residential care.
- Consultation and engagement with providers during re-commissioning – specifically Care and Wellbeing (Homecare), and the Adults with Disabilities Framework.
- During consultation with existing Supported Living providers, we received the feedback that the current approach of geographical rates is not replicated in other authorities. Hourly rates for care are generally determined by the complexity of need of the individual. This led to the proposed increased single rate across the City.

## 6. **RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### 6.1 Equality Implications

6.1.1 Decisions need to take in to account the requirements of the Public Sector Equality Duty contained in Section 149 of the Equality Act 2010. This is the duty to have regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct

that is prohibited by or under the Act

- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

6.1.2 An Equality Impact Assessment has been completed.

6.1.3 The primary impact is assessed as covering most protected characteristics, and it is essential that further Equality Impact Assessments are completed.

6.1.4 The Equality Impact Assessment can be found at Appendix 2

## 6.2 Financial and Commercial Implications

6.2.1 The financial implications of the proposed fee rates were included in the 2023/24 budget, as agreed by Full Council 1<sup>st</sup> March 2023, at a cost of £21.1m, the exception to this is the additional £10 pw for Care Homes now proposed in this report.

6.2.2 The cost of increasing the Care Home standard rate by an additional £10pw is an £608k per annum pressure, this is only affordable if option 2, as set out in Appendix 3 of this report, is approved.

6.2.3 The commercial considerations are set out in the body of the report.

## 6.3 Legal Implications

6.3.1 The Care Act 2014 sets the Council's statutory power to direct the provision that:

- promotes wellbeing
- prevents the need for care and support
- protects adults from abuse and neglect (safeguarding)
- promotes health and care integration
- provides information and advice
- promotes diversity and quality.

6.3.2 The Care Act 2014 also sets out the law around market development in adult social care. It enshrines in legislation duties and responsibilities for market-related issues for various bodies, including local authorities.

6.3.3 Section 5 of the Care Act sets out duties on local authorities to facilitate a diverse, sustainable high-quality market for their whole local population, including those who pay for their own care and to promote efficient and effective operation of the adult care and support market as a whole.

6.3.4 The statutory guidance to the Act suggests that a local authority can best commence its market shaping duties under Section 5 of the Care Act by developing published Market Position Statements with providers and stakeholders. In considering such matters it would be reasonable for local authorities to consider, bearing in mind the funds available, whether proposals

would involve too great a risk of provider failure, which can be to the significant detriment of service users and can involve significant costs to manage, and also potential costs involved in dealing with challenges to proposed fee rates which can increase in likelihood depending on the proposals. The proposals are therefore in line with the Council's legal obligations.

#### 6.4 Climate Implications

6.4.1 The Adult Social Care Strategy and Delivery Plan makes specific reference to ensuring a focus on Climate Change – both in terms of an ambition to contribute to net zero as well as adapt to climate change.

6.4.2 Elements of the Strategy Delivery Plan with a significant climate impact, have and will continue to complete a detailed climate impact assessment to inform plans and decision making. The elements with the most significant climate impact to date are linked below and information can be seen in Climate Impact Sections of those reports:

- [Supported living, day services and respite care for working age adults](#)
- [Approval of new technology enabled care contract extension and strategy](#)
- [Adults Health and Social Care Digital Strategy](#)
- [Transforming Care Homes for Citizens of Sheffield](#)
- [Climate Impact Assessment for Recommissioning Homecare Services](#)

6.4.3 Energy usage and costs are a significant pressure for providers – most notably Care Homes – making supporting energy efficient measures all the more important.

6.4.4 It is planned to bring a specific Climate Action Plan to Committee later in 2023. The plan will cover how Climate Impact Assessments are done across the service, what the common themes are, how these can be addressed consistently.

### 7. **ALTERNATIVE OPTIONS CONSIDERED**

7.1 Alternative options for fee levels for Homecare, Supported Living, Day Activities and Respite/Short breaks were presented in Committee reports seeking approval for commissioning strategies for those services.

7.2 The Council could consider lower uplifts for services, but this is not recommended given the current context and issues across care and support provision for adults, and the level of change Adult Social Care is undertaking to improve the lives and experiences of people in the City.

7.3 The Council originally consulted on an increase to the standard rate for Care Homes to £620pw. This is not recommended following responses to the consultation and further analysis of the risks facing the sector.

### 8. **REASONS FOR RECOMMENDATIONS**

8.1 The recommendations arise from the Council's market shaping responsibilities.