Wandsworth Council

Market Sustainability Plan

1. Revised assessment of the current sustainability of local care market

1.1. 65+ Care Home Market

There are 15 older people care homes in the borough providing 1,245 beds. 11 are dual registered, 3 nursing only and 1 residential only. Only 4 are part of a wider care home provider group. The size of the care homes ranges from 25 beds to 215 beds. 67% of these homes have more than 60 beds, which would be considered as more financially viable.

Self-funders: 4 new care homes providing 285 beds are aimed at the self-funder market, but 47% of the beds in these homes are vacant, because they opened during and since the pandemic. Overall, approx. 40% of the beds in the borough are occupied by self-funders but that will increase as these 4 homes build occupancy

Availability of Beds: Two care homes (240 beds) have faith/ cultural eligibility criteria which means there are only 660 beds in the borough for the Council to use in most cases.

Quality: CQC data reveals that all the older people's care homes in the borough are rated 'Good' and one is rated 'Outstanding'. However, the Council's market viability tool highlights a concern for one large care home, due to lack of similar alternative providers and the proportion of vacant beds.

Council Placements: Around 23% of beds are Council purchased and compared to the rest of London places a higher % out of the borough, just under 60% of placements made by the Council are commissioned within the borough.

Home Closures: Three care homes have closed since 2019. The operator of one of these homes is a national 'brand' who completed a review of their whole portfolio and determined that the building environment would require substantial refurbishment to bring it up to their standards. One of these care homes closed in February 2023 as the provider's strategic plan was to 'exit' the London region and focus on services located closer to its head office. A new care home has been built next door to the previous site and staff and the majority of residents transferred from the home that closed to the new home.

Discharge to assess scheme: has at times this has had its challenges, with some clients needing to move onto long term care but their financial circumstances were not yet known at the end of the placement period and some clients refused to leave the short-term placement once it came to an end. This has led to a delay in payment for some providers as it was not clear who should be invoiced for the placement moving forwards.

A telephone and an online survey were circulated to all the 65+ care home operators in borough. The online survey response rate was 20%. Any feedback is captured under the following themes.

1.1.1 Workforce

There are challenges in recruiting and retaining staff at all levels, from registered managers and nurses to care workers, with the care industry facing competition from other sectors that offer more attractive staff benefits, pay, terms and conditions, namely NHS, hospitality sector and supermarkets. Providers have reported that other factors, such as the National Living Wage, changes to employment law and Brexit have all made this more challenging. Some providers have resorted to overseas sponsorship, which can be expensive and takes time, but is a good investment in the longer term.

Skills for Care data estimates that staff turnover in Wandsworth is 31.4 %, higher than the London regional and England averages at 29.5% and 27.6% respectively. 42% of new starters were recruited from within the adult social care sector meaning the sector is retaining workers' skills and experience.

1.1.2 Self-funders

Self-funders typically pay a higher rate for residential and nursing care than the Council rate. The 4 new homes market themselves as being 'luxury care homes', providing facilities over and above social care needs, which will drive up weekly costs. Each care home operator will have their own position on the number of years a resident should have their own funds to cover their placement at admission and approx. just under 10% of Council admissions are capital depleters.

Another emerging challenge is planning requests to develop new care homes in the borough, marketed at self-funders. Developers are looking at data from the London Plan on future demand at a regional London level and utilising this data as a rationale for proposing the developments. Although the adult social care and public health directorate works closely with the Council Planning Department, we are unable to influence to any great extent.

All providers who responded to our online survey reported that they want to move towards increasing both Council and self-funder business

1.1.3 Care Provision and levels of need

The biggest challenge to capacity in the borough is dementia-related care in both residential and nursing homes, as well as behaviour that challenges, and provision of bariatric care. The Council's Brokerage staff report ongoing challenges in sourcing these placements in borough. Although there are vacancies in care homes locally, there is an under supply of enhanced dementia bedded care and an oversupply of basic residential care.

2 out of 3 providers responding to our online survey said they expect to reach 95% occupancy in the next 6-12 months, and the same number said they would consider expanding their current business model to adapt to supporting people with complex care and behaviour that challenges. Providers also said that they would require a block contracting approach to secure the right staff and skill mix. Training for staff provided by the Council and/ or NHS was also considered important.

1.1.4. Purchasing and Contracting approach

Services are commissioned both inside and outside of the borough by spot purchasing using individual placement agreements. There are aspects of the Council's purchasing and contracting approach that do not lend themselves to improving market sustainability and development.

- There are minimal formal contracting arrangements and therefore lack of opportunity for partnership working to develop sustainable delivery model or for providers to plan, or for the Council to trial different contracting mechanisms.
- Fees determined on a placement-by-placement basis through a 'bidding' process.
- Some providers will have 'banded' rates allocated to each service type and other providers will base it on the individual level of client need.
- There are some 'historic' fee rates for placements made in previous years that are not comparable with current weekly rates for the same bed type
- The Council has operated an annual fee uplift programme for several years for spot purchase provision, with the Council setting this uplift percentage figure and providing care home operators with the opportunity to submit additional information by way of a business case to seek a higher inflationary uplift.
- A greater understanding of demographics and levels of needs will support providers to develop a sustainable model.

These approaches do not necessarily lend themselves to building and maintaining long-term relationships with local providers and trialling different contracting mechanisms to improve market sustainability. All providers who responded to the survey stated they would be interested in working with the council to establish set fee rates for different bed types.

The Council has a contract for 6 step-down discharge to assess beds in one nursing home; jointly funded with South West London ICB. An additional 5 beds were commissioned using hospital discharge funding for the winter period. The care home provider has negotiated twice with the Council in the past 5 years to increase the rate of these beds to be financially viable and has since made a further request to increase the fee rate, providing data which reveals the difference between the contracted fee and the actual service cost is 62%. These fees will increase further for 2023/24 to be closer to service costs. Additionally, the Council has one step down bed in an extra care scheme, which is funded at the extra care contracted hourly rate.

1.1.5. Delays to charging reform

There has been no immediate impact on market sustainability. As the fair cost of care exercise was undertaken as a means to estimate the potential loss of cross subsidy from self-funding clients accessing local authority rates, the delay means providers will continue to benefit from the cross subsidy in the interim period. However, the fair cost of care exercise has raised expectations from providers of increases in fee rates.

1.1.6. Impact of current inflationary pressures

The snapshot of the cost of care was taken in April 2022, meaning that the data is not reflective of the current cost pressures on the care market. The local authority is finalising its annual fee uplift programme for the 2023/24 financial year .

Wandsworth Council is on a journey towards London Living Wage accreditation, and a phased approach will be implemented as contracts are extended and new contracts are let.

Currently, all placements are spot purchased and providers who have signed a Council contract are required to pay the national living wage as a minimum. However, it is anticipated that there are a proportion who pay London Living Wage (LLW) in order to remain competitive with other sectors such as retail and hospitality and in order to retain their workforce to minimise staff transferring to work for a 'competitor'.

Placement costs are set by providers, with current placements coming into the scope of the Council's annual inflation uplift programme where the Council sets the parameters. Weekly fee rates for new placements will reflect current cost levels incurred by care home operators, which gives the opportunity to increase staff wages in line with LLW.

Providers have raised the issue of inflationary costs arising from the NMW increase from 1 April 2023 of 9.7%, CPI for January 2023 is 10.1% and the consequence of freezing the national insurance threshold until 2028 and an increase in wage levels means providers will be paying more national insurance costs and is an additional cost pressure. Furthermore, there are a number of providers who employ staff from abroad, and the costs of funding immigration visas are significant.

There are indications that inflation is expected to fall from the middle of 2023 to reach 2.9% at the end of the year (Source: OBR @ March 2023) although this does not mean costs will fall but rather that they will not increase as fast as last year. The Government has announced a new Energy Bills Discount Scheme from April 2023 to April 2024 for eligible non-domestic consumers in Great Britain and Northern Ireland (Source: GOV.UK, accessed 22 March 2023).

1.2. 18+ domiciliary care market

Wandsworth Council has 29 homecare agencies registered in the borough, ranging from small independent organisations to national provider ‘brands’. Wandsworth is a culturally diverse borough, however, there is a very small number of providers who offer culturally responsive services. 79% have a CQC rating of ‘Good’ and ‘Outstanding’.

Council Contracts: Wandsworth Council (WBC) has contracts with 8 providers and 2 have a CQC registered office in the borough. WBC also spot purchases from over 30 care agencies.

Council Commissioning: Recent data shows that WBC commissions approx. 12,400 hours of homecare per week for approx. 1,000 people. 53% of WBC business is with contracted providers which is 48% of the total homecare hours and 47% of the weekly spend.

Agency Closures: No contracts have been handed back, however, there have been 2 contract novations in the past 12 months, and one provider experienced significant capacity issues and requested that they ‘hand back’ several existing care packages for a short period of time whilst they recruited to vacancies. There has been a recent ‘trend’ of domiciliary care agencies setting up business in the borough but closing quickly, which suggests they may be unviable.

An online survey was circulated to all the 18+ domiciliary care operators that were scoped to participate in the cost of care exercise, with a response rate of 18%. Their feedback is captured under the following themes.

1.2.4. Workforce

Workforce stability and capacity is a concern, as with care homes. Recruitment and retention of registered managers is a particular challenge, with providers reporting that applications are low and the quality of applications poor. Providers feedback that pay needs to be more competitive and consideration given to make roles more attractive i.e., hybrid working for office staff.

All providers who responded to our survey fed back that staffing levels are the priority for delivering high quality care, followed by 50% who stated staff training and professional development. 50% also stated pay and salary progression was the key challenge preventing people from entering the care and support profession. Skills for Care data on turnover and new starters is the same as quoted above for care homes.

1.2.5. Geography

There are geographic challenges in the availability of care in 2 areas of the borough. In part these are due to poor and infrequent public transport links as well as a limited number of new care packages being required in these areas. These constraints make it difficult for a provider to resource and be financially viable. This will be reflected in future engagement with the provider market, so that they are sighted on where the need lies and how we can work together in partnership to resolve.

1.2.6. Self-funders/ private clients

50% of providers who responded to our telephone survey confirmed they have self-funding clients who live in Wandsworth, numbers range from 1 client to 18 clients.

1.2.7. Care provision/ levels of need

The level and complexity of need of people discharged from hospital has increased significantly with Discharge to Assess arrangements. The Council must increase the availability and responsiveness of homecare and short-term reablement to support hospital discharge.

1.2.8. Purchasing and contracting

Domiciliary care services are delivered through contractual arrangements with 8 providers who are allocated their own geographical zone ("area/patch"). WBC's intention is to place most of its business with contracted providers but where this is not possible through other zone providers and then with the spot market.

Contracted providers are paid a consolidated hourly rate, which is calculated pro rata for 30, 45 and 60-minute calls and applies at evenings, weekends and bank holidays meaning there are no enhancements. Where spot purchasing is used, the fee is determined on an hourly rate negotiated with the provider.

Contracted providers are expected to manage complex packages and provide a culturally responsive service. However, this on occasion proves challenging and has led to spot purchasing from agencies who provide their staff with enhanced training to support the client level of need/ behaviours and/ or have the language skills required.

The Council undertakes a fee inflation uplift programme for spot purchase providers and sets a % uplift figure and providers are given the opportunity to submit additional information if they wish to make a case for a higher inflationary uplift.

All providers who responded to our survey are reliant on Council funding and stated they wish to move towards increasing both Council and self-funder business.

1.2.9. Impact of current inflationary pressures

Providers have raised concerns regarding inflationary costs arriving from the NMW increase from 1 April 2023 of 9.7%, CPI for January 2023 is 10.1% and the consequence of freezing the national insurance threshold until 2028 and an increase in wage levels means providers will be paying more national insurance costs and is an additional cost pressure. Furthermore, there are a number of providers who employ staff from abroad, and the costs of funding immigration visas are significant.

The Government implemented the 'Energy Relief Scheme' from the period 1 October 2022 to 31st March 2023 to eligible businesses to aid with lowering energy costs for businesses and other non-domestic customers.

There are indications that inflation is expected to fall from the middle of 2023 to reach 2.9% at the end of the year (Source: OBR, accessed 22 March 2023) although this does not mean costs will fall but rather that they will not increase as fast as they were last year. The Government's 'Energy Relief Scheme' may continue for a little while longer, aiding with lowering energy costs for businesses and other non-domestic customers.

Contracted domiciliary care providers are required to pay the national living wage as a minimum, and there are a proportion who pay London Living Wage in order to remain competitive with other sectors such as retail and hospitality and in order to retain their workforce to minimise staff transferring to work for a 'competitor', however there is a limited scope within their existing fees to increase wages to London Living wage, increasing burden of travel costs, pension contribution and national insurance.

Care operators have written into the Council with their annual inflation uplift position for 2023/24, citing increases between 12-15%.

The fair cost of care exercise does not replace the annual fee engagement process the local authority operates for uplifts. Utility costs and cost of food and fuel were at an all-time high during the course of the 'cost of care' process.

1.2.10. Delays to charging reform

The delays have had no immediate impact on market sustainability. As the fair cost of care exercise was undertaken as a means to estimate the potential loss of cross subsidy from self-funding clients accessing local authority rates, the delay means providers will continue to benefit from the cross subsidy for a further period. However, the fair cost of care exercise has raised expectations from providers of increases in fee rates.

2. Assessment of the impact of future market changes between now and October 2025, for each of the service markets

The 65+ age group in Wandsworth is expected to rise by 19,300 in the period 2020 to 2040 (a 605 increase). The expected rise in the older population detailed below will increase prevalence of co-morbidities, physical disabilities and mental ill health that will impact on demand. We expect changes in complexity in need and behaviour that challenges to continue. The Council will continue investment in 'rapid response', recovery and reablement services in order to continue to prevent, reduce and delay our demand on long term care.

OP 65+	2020	2025	2030	2035	2040
Total population aged 65 and over predicted to have dementia	2,198	2,473	2,796	3,208	3,711
Total population aged 65 and over with a limiting long-term	7,649	8,590	9,755	11,097	12,456

illness whose day-to-day activities are limited a lot					
People aged 65 and over who need help with at least one self-care activity	9,088	10,152	11,580	13,097	14,645
People aged 65 and over who need help with at least one domestic task	9,154	10,244	11,656	13,177	14,784

Source: Projecting Older People Population Information System (POPPI), accessed 17 March 2023

Workforce recruitment and retention pressures are expected to continue, with providers facing competition from other sectors e.g., NHS, retail and hospitality, and increasing number of staff choosing to leave the sector. Providers are increasingly looking to international recruitment which is costly

Cost of living pressures will continue to impact on provider operating costs. Whilst the Government Energy Relief scheme provided some stabilisation, energy costs and any other inflationary pressures will impact the care market. The expansion of ULEZ will also impact the sector, with care and support workers not necessarily able to purchase fuel efficient vehicles given financial pressures. The UKHCA survey in March 2022 shows that 95% of respondents said their staff had expressed anxiety about current or potential future increases in the cost of living. This concern is widespread, regardless of the location of visits, funding source or geographical region. More than four-fifths (82%) of the sample concluded that the primary concern that staff have expressed on the cost of living was either the cost of fuel or energy bills.

Source: https://www.homecareassociation.org.uk/resource/fuel-costs-hit-homecare-hard.html

We recognise the potential impact on quality of care within the borough and the Council will be mapping measures that we and the SWL ICB provide to support our providers to deliver good standards of care.

When introduced, the Adult Social Care Reforms will impact both care home and domiciliary care markets with the move towards making fees fairer between private and Council rates. The number of self-funders in Wandsworth is relatively high and the 4 new care homes within the borough will import more self-funders into the borough who will then become residents and the potential responsibility of the Council. The Council is regularly approached by private organisations seeking to submit a planning application to build a new care home in the borough or retirement housing/ assisted living targeted at the private market, citing population demand figures from the London plan.

Full implications on the delays to upper and lower thresholds for charging and the care cap are unknown. ONS estimates for 2021 and 2022 indicate that approx. 11% of community care clients in Wandsworth and 29% of Wandsworth care home residents are self funders. The local authority will continue to work with the provider market to fully understand the self-funder population both in care homes and those living in their own homes receiving care.

The introduction of Charging Reform may lead to higher demand for Council placements and domiciliary care packages organised by the Council at Council fee rates which may not be sustainable for the local market given the gap in rates for public funded placements vs private placements. Many self-funders will become the Council responsibility under new financial thresholds and under the £86,000 cap. Implementation of Section 18(3) of the Care Act with self-funders asking the Council to arrange their care at Council rates will impact.

There is a shortage of dementia beds and beds for older people that are bariatric and have challenging needs. With the continual increase in the older people population, it is expected that the age of people entering residential and nursing care will increase and subsequently the complexity of need. Therefore, we expect an increase in demand for specialist care home beds. This specialist care will require providers to develop and/ or reconfigure services to meet the increased acuity and frailty. A trained and skilled workforce is crucial to support this increased need.

Developers are submitting planning applications for residential and nursing care homes, citing demand based on the London Plan. However new developments tend to be targeted at the self-funder market meaning that the fees will not be affordable for local authority placements to meet our demand.

Domiciliary care contracts commenced 1st July 2019 and the initial contract term expires 30th June 2025. The Labour administration elected in May 2022 made a manifesto pledge to ensure all new contracts signed by the council will guarantee its workers the London Living Wage. The local authority is developing plans to secure accreditation and to roll out this as a requirement for contract extensions and new contracts in a phased approach.

Any changes to the domiciliary care rates would have an impact on the Direct Payment and Reablement rate, as the intention is to have parity amongst these. This would also be a cost impact to the Council.

All providers who responded to our survey stated that they want to grow their business for both self funder and local authority placements in the next 12-24 months.

A further market change is the introduction of a new regulatory inspection and assurance framework for adult social care, including new inspection framework for providers and extended duties for the CQC to inspect local authorities under the Health and Social Care Act 2022.

2. Plans to address sustainability issues including fee rate issues, where identified.

2.1. Future fee rate increases

It is important to note the Fair Cost of Care exercise presented significant issues with data quality and some unreliable results due to the small number of returns impacting on the median calculation. Despite efforts made to improve the robustness of the calculations the Council concluded the results cannot be viewed as wholly reliable. The Council intends to continue to work with care providers to agree rates that are sustainable for the Wandsworth market.

Furthermore, the cost of care exercise is not a replacement for the fee setting / annual uplift process. As such the exercise will inform fees and demonstrate a move towards the median cost of care but will not replace the current process and the actual fee rates paid will still differ due to factors such as personalisation of care, quality of provision and wider market circumstances. The outputs of the exercise will be one element to inform future negotiations, taking into consideration other known market factors including inflation, demand, capacity, benchmarking, quality and, importantly, affordability for the Council and availability of funding.

The local authority plans to move towards the cost of care in a phased approach, from 2023/24. We will seek to close the gap between historic residential and nursing placement costs to those which are more sustainable for the market. As the outcome of the cost of care exercise is not intended to be a replacement for the fee uplift process or individual contract negotiation, our annual fee uplift process within the Council's budget will continue.

The Labour administration elected in May 2022 made a manifesto pledge to ensure all new contracts signed by the Council will guarantee its workers the London Living Wage. The local authority is developing plans to secure accreditation and to roll this out as a requirement for contract extensions and new contracts in a phased approach.

As part of our continued partnership working at sub-regional level, South London Partnership facilitated a bid for international recruitment funding on behalf of the six South West London Boroughs (Wandsworth, Richmond, Sutton, Kingston, Croydon and Merton). The provider market across these boroughs have contacted their respective commissioning teams to enquire about the bid, demonstrating their interest and offers to provide support for the bid.

Wandsworth Council also commissioned an additional 5 step down block beds in a nursing home during 19th December 2022 to 31st March 2023 to support hospital discharge. In addition, a £250 incentive payment was offered for placement admissions on a Saturday, Sunday and bank holidays. We are considering continuing with an additional 2 beds from 1st April 2023.

Through our day opportunities contracts for older people, we are continuing to invest in a digital inclusion and technology support service which will support local residents who live in the community in increasing their digital skills and for clients with eligible needs under the Care Act they will be provided with technology enabled care products and supported in learning how to use them.

Adult Social Care Commissioning and Quality Assurance will continue to work closely with local providers, SWL ICS partners and CQC to support and strengthen our local market, for quality improvement, prevent and manage provider failure and/ or service closures.

A final session for care home providers was scheduled for 16th March 2023 to inform the final market position statement. Due to limited attendance and that we are still awaiting further information from the DHSC on the FCC MSIP funding, we intend to hold another forum after Easter to present our MSP to the 65+ care home and 18+ domiciliary care market.

2.2. Actions to improve market sustainability, 65+ care homes

- Develop a placement policy setting out how we approach fee rates and establishing approach to placements outside of the borough
- Engage with the care home market to:
  - Understand better the challenges of the market and how we can work in partnership to improve the situation and to inform our future planning
  - Inform the care home market of the impact of the new reforms and how we will work together over the next 18 months to implement the changes
  - Work with the market to ensure that increased fee rates translate to increased pay for care workers.
- Work with SWL Partnership on a workforce strategy and plan
- Work with ICS partners to consolidate the position on local nursing rates
- Continue to work with ICS partners on embedding technology, such as remote monitoring and shared records, to improve efficiency and quality of care
- Reduce reliance on the longer-term care home market by providing more short-term rehabilitation beds
- Work with ICS partners to provide support to the workforce by delivering dementia training to support residents with more complex needs
- Consider options for block contract arrangements with care homes.

2.3. Actions to improve market sustainability in 18+ domiciliary care market

- Increase use of digital solutions, such a remote monitoring, to maximise available resources, right size packages of care and reduce care hours and long-term care needs
- Engage with the domiciliary care & reablement market to:
    - Understand better the challenges of the market and how we can work in partnership to improve the situation and to inform our future planning
    - Inform the market of the impact of the new reforms and how we will work together over the next 18 months to implement the change
    - Work with the market to ensure that increased rates translate to increased pay for care workers.
- Develop a new reablement model
- Work with SWL Partnership on a workforce strategy and plan
- Work with our ICS partners to consolidate position on local rates
- Strengthen our approach to provider engagement to support all care agencies within the borough for long term sustainability.

2.4. Other Actions

- Produce updated commissioning plan for older people
- Refresh the Market Position Statement
- Review the Direct Payment rate in line with rates for Domiciliary care.
- Continue to work with the provider market to fully understand the self-funder population both in care homes and those living in their own homes receiving care.

2.5. Use of Fair Cost of Care Funds

2022/23 Fair Cost of Care Grant

In 2022/23, the Government made £162m grant funding available nationally to support for Market Sustainability and Fair Cost of Care. The Council received an allocation of £0. m from government. In line with the guidance and grant conditions, £0.876m, 75% of this funding was paid directly to 65+ care homes and home care providers through targeted support to move towards the Fair Cost of Care. Due to the uncertainty around future funding, at that time, the Council took the decision to make one-off payments to providers as follows:

65+ Care Homes

- One-off increase in fees for ‘older’ 65+ care home placements for the period 1st December to 31st Mar 2023 where rates were below £800 pw (which is much lower than those currently paid) or

- For those 65+ care homes for which the above did not apply and they supported more than 2 Council placements, a one -off payment up to a maximum of £5,000 was made.
- The cost of these payments was £371,729.

18+ Domiciliary Care

- A one-off payment to all providers who provided a total of more than 100hrs per week of support to Council supported clients. This covered the period 1st April to 31st March 2023
- The cost of these payments was £285,108.

The remainder of the grant £0.219m, 25 %, was used to develop and implement this work producing and submitting to DHSC the Cost of Care Report and the Market Sustainability Plans.

2023/24 Market Sustainability and Improvement Fund (MSIF)

In 2023/24 the Government is providing an additional £400 million nationally of new ringfenced funding for adult social care to improve care market sustainability and drive wider improvements in their areas. This will be combined with £162 million of continued Fair Cost of Care funding, totalling £562 million nationally. This funding is the Adult Social Care Market Sustainability and Improvement Fund (MSIF). The Council's provisional MSIF grant allocation for 2023/24 is £3million.

The purpose of the MSIF is to increase capacity within Adult Social Care (ASC) sector across different settings and contribute to reduction of delayed discharges. Local authorities will have flexibility to use the MSIF to drive improvements across key priority areas. Therefore, the MSIF will be utilised to cover a wide range of priorities, in addition to fee rates increases. These will include:

- Increasing ASC capacity
- Reducing waiting times
- Increasing workforce capacity & retention
- Increasing fee rates to close the cost of care gap.

Within the next few weeks, we are expecting the Government to provide the final grant determination letter and grant conditions. At this point the Council will finalise decisions on spend and distribution of funds to providers for 2023/24 in relation to future fee rate changes, along with support to other key priorities.