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(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Title of meeting:	Health, Wellbeing & Social Care
Subject:	Market sustainability and fair cost of care fund
Date of meeting:	05 July 2022
Report by:	Richard Webb, Finance Manager
Wards affected:	All

1. Requested by

- 1.1. This report was requested by the Cabinet Member for Health, Wellbeing & Social Care.

2. Purpose

- 2.1. The purpose of this report is to provide Members with an update on the steps being taken by the Council in response of the publication of the *'Market sustainability and fair cost of care fund 2022 to 2023'* guidance.

3. Information Requested

- 3.1. On the 24 March 2022, the government published the *'Market sustainability and fair cost of care fund 2022 to 2023'* guidance. This publication forms part of the wider reforms announced by the government in the 'People at the Heart of Care' white paper.

- 3.2. The primary purpose of the fund is stated as being:

'...to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care.'

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- 3.3. The intended purpose of this fund also aligns with Section 5 of the Care Act 2014¹, which places a duty on local authorities to promote the efficient and effective operation of a market in services for meeting care and support needs, with a view to ensuring services are diverse, sustainable and high quality for the local population, including those who pay for their own care. In addition, it also aligns with the requirements of the Care and Support Statutory Guidance², (section 4.31) which places an expectation on local authorities to ensure that the fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care.
- 3.4. Where average fee rates are below the fair cost of care, local authorities are expected to use this fund to increase fee rates paid to providers (in respect of residential and nursing care for those aged 65 and over, and domiciliary care for those aged 18 and over) beyond the level required to cover increases in core costs such as inflation, National Living Wage, etc.
- 3.5. The government has allocated £1.36bn to support the implementation of this element of the reforms. Of this fund, £162m has been allocated to Local Authorities in 2022-23 based on the Adult Social Care relative needs formula. The Portsmouth share of this allocation is c.£600k. A further £600m will be allocated to Local Authorities in 2023-24 and 2024-25. The methodology for allocation in the latter years has not been confirmed and therefore the future funding available to the City Council is unknown.
- 3.6. Of the amount allocated to local authorities in 2022-23, at least 75% of this funding must be used to increase the fee rates paid to providers. Up to 25% may be used to fund implementation activities associated with meeting the fund purpose.

Local Authority Requirements

- 3.7. As a condition of receiving the funding in 2022-23 and to be eligible to receive further funding in financial years 2023-24 and 2024-25, local authorities must submit the following information to the Department for Health & Social Care (DHSC) by 14 October 2022:
 - Cost of care exercises for residential and nursing care for those aged 65 and over, as well domiciliary care for those aged 18 and over.

¹ <https://www.legislation.gov.uk/ukpga/2014/23/section/5>

² <https://www.gov.uk/government/publications/care-act-statutory-guidance/care-and-support-statutory-guidance>

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- A provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market. A final plan will be submitted in February 2023.
 - A spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the funds stated purpose.
- 3.8. As part of this process, the government expects local authorities to start making genuine progress towards more sustainable fee rates, where not already doing so, and that the allocations from this fund will be used by local authorities to increase fee rates where required.

Cost of Care Exercises

- 3.9. It is expected that the cost of care exercises will be completed through engagement between local authorities, commissioners, and care providers to facilitate the data collection process. This is intended to enable local authorities and care providers to arrive at a shared understanding of the local cost of providing care. The exercise will identify the lower quartile, median and upper quartile costs.
- 3.10. To ensure consistency of approach to data collection, tools meeting the DHSC's suggested functionality will be published by the Local Government Association / Association of Directors of Adult Social Services (LGA/ADASS). The sections below provide details on the tools being utilised by the City Council and the approach to engagement with providers.

Domiciliary Care

- 3.11. For domiciliary care, a costing model has been co-developed by the Care and Health Improvement Programme (CHIP) with ARCC-HR Ltd and is being recommended for use by the LGA³ for the cost of care exercise.
- 3.12. The City Council will be using this tool and would like feedback from as many Portsmouth providers as possible. It is recognised that this is a voluntary process for providers. Therefore, to assist them in submitting information, we have decided to ask providers to submit information via an online form rather than completing and submitting the detailed costing model spreadsheet. This form is similar to that used by providers to submit information relating to the COVID grants over the past couple of years. The Council will then use the information

³ <https://www.local.gov.uk/our-support/sector-support-offer/care-and-health-improvement/commissioning-and-market-shaping/cost-of-care-toolkit>

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submitted to complete the costing model and consolidate the results from all submissions.

3.13. The engagement process with Domiciliary Care providers includes:

- Attending and presenting to the Hampshire Care Association Spring Conference
- Briefing to providers via the regular interlock meetings with Adult Social Care and Finance
- Correspondence being sent to all care providers to encourage them to submit information
- Volunteers were sought from care providers to help test and provide feedback on the online form. Seven providers have now volunteered to assist.

Residential & Nursing Care

3.14. For residential and nursing care providers, CHIP (delivered by ADASS and the LGA) commissioned iESE to deliver the Care Home Cost of Care Tool⁴ and this is being recommended for use in the cost of care exercise.

3.15. The City Council will be using this tool and once again would like feedback from as many Portsmouth providers as possible. The iESE Cost of Care Tool is an online tool available to all providers (which avoids the need for a separate survey to be produced by the City Council). We will be encouraging providers to register for the tool and to submit data to us.

3.16. The engagement process with Residential and Nursing providers includes:

- Attending and presenting to the Hampshire Care Association Spring Conference
- Briefings to providers via the regular provider interlock meetings with Adult Social Care and Finance
- Correspondence being sent to all care providers to encourage them to submit information via the online tool

Market Sustainability Plans

3.17. Alongside the cost of care exercise, local authorities will be required to develop and submit a provisional market sustainability plan in October 2022, followed by a final plan when the local government budgets for 2023-24 have been confirmed. Local Authorities are required to publish their final plans (with commercially

⁴ <https://iese.org.uk/cost-of-care-tool>

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sensitive information redacted) once these are finalised and following notification from DHSC that the review process is complete.

- 3.18. The purpose of these plans is for local authorities to assess and demonstrate how they will ensure local care markets are sustainable, as they move towards implementing reform.
- 3.19. For the purposes of this process, a sustainable care market is defined as one which operates in an efficient and effective way, indicated by:
- sufficient supply of services to ensure continuity of care with minimal disruption in the event of providers exiting from the market
 - there being a range of high-quality services for people to choose from
 - sufficient investment in its workforce to enable the attraction and retention of high-quality care staff
 - evidence of innovation and service diversity in order to evolve and meet changing user needs
 - being attractive to new market entrants and able to manage and offset the impact of future market changes
- 3.20. The plan has three main sections:
- Section 1 – Assessment of the current sustainability of the 65+ care home market and the 18+ domiciliary care market.
 - Section 2 – Assessment of (including quantification of) the expected impact of market changes over the next three years, including changes due to the further commencement of section 18(3) of the Care Act 2014, for each of the service markets.
 - Section 3 - Plans for each sub-market to address the sustainability issues identified, including:
 - how the fund will be used to move towards a fair cost of care and help address the sustainability issues identified over the next 1 to 3 years
 - any further actions the local authority plans to take to support market sustainability (for example, improvement support to tackle quality issues or strategic planning for changes in types of provision in response to local need, taking into consideration the role of alternative models of care such as extra care)
 - how the plan complements other strategic documents or plans, such as, but not limited to Market Position Statements (for example, reference to wider plans to invest in alternative models of care)
 - how the local authority has engaged providers in the development of these plans

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Next steps

- 3.21. Over the next couple of months, the ASC Contracts and Finance teams will be engaging with care providers to encourage them to submit information for the cost of care exercise. The teams will also be available to assist providers should they have any difficulties or queries.
- 3.22. Residential & Nursing care providers are already able to submit their data via the iESE tool. For Domiciliary Care providers, the online survey form will be available to submit data for at least 4 weeks. Analysis of results will commence in August following the submission of data from care providers enabling further engagement to constructively utilise the outputs.
- 3.23. Preparation of the draft market sustainability assessment is expected to be complete by the end of September to enable compliance with the 14 October submission deadline.
- 3.24. Evaluation of the financial impact over the following 3 years will be included as part of the submission and managed through the ASC Medium Term Financial Strategy.
- 3.25. Further update reports will be provided to Members as this cost of care exercise progresses.

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Signed by (Director)

Appendices: None

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Market Sustainability and fair cost of care fund 2022 to 2023	https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance