Richmond Council

Market Sustainability Plan

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

1.1. 65+ Care Home Market

Richmond has 16 care homes for older people registered within the borough, providing 746 beds. Three of these homes are funded through a PFI contract, accounting for approximately 30% of the beds in the borough. The borough has a higher number of residential care homes than nursing homes. 7 care homes provide nursing care for approximately 468 beds though one home only accepts people with an entertainment industry equity card and 3 nursing homes have very high fee rates of over £1,500 per week and are aimed at the self-funder market and CHC placements.

There is a mix of providers, a small number are single entities and other providers are national provider 'brands'. The size of the homes varies, ranging from 14 beds to 99 beds. 47% of these homes have between 14-38 beds and 29% have more than 60 beds which would be considered as more economically ideal/ financially viable. Around 29% of these beds are Council purchased and approximately 50% are self-funder placements.

Richmond Council has a lower use of residential and nursing placements per 10,000 of the population compared to South West London boroughs and the London region, which is likely to be due to the high number of self-funders in the borough. However, the Council has high median weekly costs for residential placements in London and the high median weekly cost for nursing placements in London. 75% of placements are commissioned in borough, with in borough rates being higher than similar placements in out-of-borough homes.

CQC data reveals that 94% of the care homes in the borough are rated 'Good' or 'Outstanding'. The Council has also established its own market viability tool, and this has not highlighted any homes at high risk.

The Council has a 25-year PFI contract with a national care operator, Care UK, who manage three homes in the borough with 218 beds; 175 of these beds are a block contract for Council use. The PFI expires in March 2026. Most Council placements are in the 3 PFI care homes and 2 other high-cost care homes.

No homes have closed in the borough in recent years; however, we have been notified that one home is closing soon as the home is financially unviable.

An online survey was circulated to all the 65+ years old care home operators in the borough, with a response rate of 13%. Their feedback is captured under the following themes.

1.1.1. Workforce

There are challenges in recruiting and retaining staff at all levels across the borough, from registered managers to care workers, with the care industry facing competition from other sectors who have more attractive staff benefits, pay, terms and conditions, namely the NHS, hospitality sector and supermarkets. Providers have reported that the National Living Wage, changes to employment law and Brexit have all made workforce issues even more challenging. This is corroborated through feedback of the provider survey, with pay and salary progression highlighted as the key challenges in attracting new people to the profession.

Providers tell us that the workforce tends to live in neighbouring boroughs as the cost of living in Richmond is high. Some providers resort to overseas sponsorship which can be expensive and takes time but is good investment in the longer term. There is also a lot of management changes as well across all service types. Availability of nursing staff is a further issue.

Skills for Care data estimates staff turnover at 31.1% in Richmond, which is higher than the London region and England averages at 27.6% and 29.5% respectively. 65% of starters were recruited from within the adult social care sector, therefore although employers need to recruit to these posts, the sector retains their skills and experience. This data also applies to the domiciliary care market.

1.1.2. Self-funders

Recent survey data indicated 50% of beds occupied by self-funders but a survey pre-pandemic indicated 65%. The Richmond market is small with a lot of reliance on self-funders, rather than Council business. Approximately 16-20% of Council admissions are capital depleters. Self-funders will typically pay a higher rate than Council rates. There are some care homes that provide amenities and facilities over and above what is required to meet social care needs, which will drive up the cost of a weekly fee rate for all placements.

Providers responding to our survey stated that they want to move towards increasing both Council and self-funder business.

1.1.3. Care provision/ client 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. Further market development work is required to build on these options.

All providers responding to our online survey said they expect to reach 95% occupancy in the next 6-12 months.

1.1.4. Purchasing and contracting approach

Placements are initially sourced through the Council's PFI contract and if the placement cannot be made, sourcing is through the spot market. The Council makes a significant number of placements with the 3 PFI care homes.

The Council spot purchases with providers in and out of borough using individual placement agreements. There are aspects of the Council's purchasing and contracting approach that do not lend itself with market sustainability and development. Provider feedback through an online survey aligns with our own analysis:

- Many placements are spot purchased in and out of borough meaning there are minimal formal contracting arrangements and lack of opportunity for partnership working to develop sustainable delivery model and/ or for providers to plan.
- Weekly fees are determined on a placement-by-placement basis by providers 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. In contrast the PFI contract has a pre-determined fee for each bed type.
- There are a number of 'historic' fee rates for spot 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.

It is recognised that the current approach does not necessarily lend itself to building and maintaining long term relationships with providers where we could trial different contracting mechanisms. Two providers who responded to our survey stated they would be interested in working with the Council to establish set fee rates for bed types.

1.1.5. Discharge to Assess

Negotiations with in borough care homes to set up short terms beds post discharge have not been fruitful, with providers citing the 'administrative burden' associated with a high turnover of short term placements and therefore the cost to provide this is more expensive than a long term placement. Following placements made by the NHS bed bureau, some residents required long term care however their financial circumstances were not known at the end of the initial placement period; this led to a delay in payment for some providers as it was not clear who should pay for the placement moving forwards.

1.1.6. 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.

1.1.7. Impact of current inflation pressures

The snapshot of the cost of care was taken in spring 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.

Richmond Council requires that its contractors and sub-contractors pay their staff London Living Wage. 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.

Providers have raised the issue of inflationary costs arising from CPI for January 2023 of 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, 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

Richmond Council has 16 homecare agencies registered in the borough, these range from small independent organisations through to regional or national provider 'brands'.

The Council commissions approximately 5,700 hours per week for 450 residents.

There are contracts with 5 providers for the provision of Council commissioned care and spot purchases from the wider local care market. The contracted providers are commissioned to provide 72% of the total commissioned hours to 72% of clients. Of these 5 providers, only 1 has a CQC registered office in the borough. The remaining are registered in other London boroughs. Spot purchasing is at a range of rates. The Council also commissions in the region of 1,500 hours per week of Reablement.

79% of providers have a CQC rating of 'Good'.

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 38%. Their feedback is captured under the following themes.

The local authority has recently launched a new 'Platform' for the provision of homecare services, with providers needing to apply to the Platform and meet due diligence checks to be on-boarded. There is no ceiling price for domiciliary care rates and providers are able to re-submit a revised rate during the year. By summer 2023, this Platform will also onboard providers to deliver reablement services, replacing our current model.

1.2.1. Workforce

Workforce stability and capacity has been a challenge for some time and more recently has become acute with Brexit, the pandemic, burnout as well as workers moving to other industries and sectors that have attractive staff benefits, pay, terms and conditions, such as the NHS, hospitality, supermarkets. Recruitment and retention of registered managers is also a challenge, with providers reporting that applications are low, and do not meet requirements. Through our survey providers also stated that transport and suitable accommodation are important factors, and that pay, and salary progression are key challenges preventing people entering the care profession. Other anecdotal feedback includes considering other ways to make roles attractive e.g., hybrid working for office staff. There is also the need to ensure people have the right training and skills to continuously improve outcomes. More domiciliary care workers are needed as are qualified nurses and dementia specialisms.

Skills for Care data shows that 39% of the workforce in Richmond were on zero-hours which is more likely to be in domiciliary care rather than in care homes.

1.2.2. Geography

There are geographic challenges in the availability of care in one area of the borough (Ham). This is due to poor and infrequent public transport, given that the river Thames runs through the borough which hinders easy access around the borough, as well as care packages remaining 'static', that is very few new care packages arise in this area and this makes it challenging for a provider to resource and be financially viable. This will be reflected in our engagement with the provider market, so that they are sighted on where the need lies and how we can work together in partnership.

1.2.3. Purchasing and contracting approach

Homecare services are delivered primarily with 5 contracted providers who are allocated their own geographical patch, with flexibility built in that they can accept care packages in a neighbouring area. There are also reciprocal arrangements where providers 'swap' packages to aid with clustering work for capacity reasons.

The Council's intention is to place most of its business with contracted providers. Where we are unable to place with these contracted providers, the Council will place with the spot market.

The 'primary contracted' providers have pre-determined fee rates. Homecare is paid by a consolidated hourly rate for care 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 between the provider and the Council.

Contracted providers are expected to manage complex packages 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 with medical and social care interventions.

The Council has an annual fee uplift programme for spot purchase provision, with the Council setting this uplift percentage figure and providing care home operators with the opportunity to submit additional information to seek a higher inflationary uplift.

Most recently, the Council has launched a new innovative Platform for the provision of reablement, domiciliary care and live-in services. Providers can apply to join the Platform at any time. There are no restrictions to the number of providers who can be appointed to the Platform, so long as they meet the Council's evaluation methodology and award criteria for appointment. Providers can also set their hourly fee rate, with no ceiling price set by the Council.

1.2.4. Self-funders

73% of providers who responded to our survey reported that they have self-funders in Richmond, up to 60 clients. 80% of providers who responded to our survey stated that they want to increase Council business with only one provider stating they want to increase their self-funder market.

1.2.5. 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. Dementia in the population is also increasing, requiring a skilled workforce that can support people with complex needs and challenging behaviour.

60% of respondents to our survey deemed staffing levels to be priority for delivering high quality care, with 40% stating staff training and professional development.

1.2.6. Delays to Charging Reforms

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.

1.2.7. Impact of current inflation pressures

The snapshot of the cost of care was taken in spring 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.

In November 2019, Richmond became a London Living Wage Accredited Council. Local authority contracts require that care providers pay their staff London Living Wage. Therefore the hourly rate needs to be sufficient to account for this as well as the increase in pension and other associated staffing costs.

Providers have raised concerns regarding inflationary costs arising from CPI for January 2023 of 10.1% and the consequence of freezing the national insurance threshold until 2028. An increase in wage levels means providers will be paying more national insurance costs. 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 2023. 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 (Source: GOV.UK March 2023).

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 Richmond is expected to rise by 57% from 2020 to 2040. The expected rise in the older population will increase prevalence of co-morbidities, physical disabilities and mental ill health that will impact on demand. The Council will continue to invest in 'rapid response', recovery and reablement services in order to continue to prevent, reduce and delay demand for long term care,

OP 65+	2020	2025	2030	2035	2040
Total population aged 65 and over predicted to have dementia	2,284	2,582	2,962	3,380	3,846
Total population aged 65 and over with a limiting long-term illness whose day-to-day activities are limited a lot	5,429	6,193	7,019	7,990	8,936
People aged 65 and over who need help with at least one self-care activity	9,099	10,109	11,662	13,093	14,536

OP 65+	2020	2025	2030	2035	2040
People aged 65 and over who need help with at least one domestic task	9,176	10,305	11,761	13,207	14,695

Source: Projecting Older People Population Information System (POPPI), accessed 17/3/23

The key risk and challenge in both domiciliary care and residential and nursing provision is the availability of a sufficient and well trained 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. Where care staff remain within the sector, they will transfer between care agencies for incremental increases in pay. 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

There is potential impact on the quality of care and the Council will be working with SWL ICB to support our providers to deliver good standards of care.

The number of self-funders in Richmond is high and any additional new build care homes 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.

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.

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.

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 for CQC to inspect local authorities.

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

Richmond Council is a London Living Wage (LLW) employer, and all new contracts have a requirement that all staff employed should be paid LLW. Through our contract monitoring we can ascertain that staff are remunerated in line with this requirement.

As part of our partnership working in south west London the South London Partnership facilitated a bid for international recruitment funding on behalf of the six South West London (SWL) Boroughs (Wandsworth, Richmond, Sutton, Kingston, Croydon and Merton). The provider market across these boroughs have demonstrated interest in the bid with offers of support.

We will continue to work with providers in the borough, SWL ICS partners and CQC to support and strengthen our local market, to improve quality and prevent and manage provider failure.

A final session for care home providers was scheduled for 16 March 2023 to inform the Market Sustainability Plan but did not take place due to limited attendance. We will hold another forum in April 2023 to present our MSP to the 65+ care home and 18+ domiciliary care market.

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

- Work with PFI provider to reduce residential beds and increase nursing and dementia beds.
- 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 the challenges of the market better and how we can work in partnership to improve the situation and to inform our future planning.
    - Work with the market to ensure that increased rates translate to increased pay for care workers.
- Work with SWL Partnership on a workforce strategy and plan
- Work with ICS partners to consolidate 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.
- With ICS partners provide support to the workforce by delivering dementia training to support residents with complex needs.

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

- 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 the challenges of the market better and how we can work in partnership to improve the situation and to inform our future planning.
  - Work with the market to ensure that increased rates translate to increased pay for care workers.
- Strengthen the reablement model.
- Implement the new domiciliary care and reablement ‘Platform’.
- Continued 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.

3.3. 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.

3.4. 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 and the Council received an allocation of £0.446m. In line with the guidance and grant conditions, £0.335m ,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 £162,759.

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 £171,809.

The remainder of the grant £0.112m, 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 £1.547m.

The purpose of the MSIF is to increase capacity within the 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 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.

3.5. 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 Richmond 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.