

CABINET

DATE	06/10/2022
REPORT OF	Cllr Stan Shreeve, Portfolio Holder for Health, Wellbeing and Adult Social Care
RESPONSIBLE OFFICER	Simon Galczynski, Interim Director of Adult Social Services
SUBJECT	Market Sustainability Plan and Fair Cost of Care
STATUS	Open
FORWARD PLAN REF NO.	SCB 10/22/01

CONTRIBUTION TO OUR AIMS

This work, as part of the wider adult social care reforms, will help to support a stronger economy for North East Lincolnshire; ensuring our local providers can offer improved career pathways for the local population. By sustaining the market and reforming key areas of the system, this will build innovation and the improvement of outcomes for individuals in receipt of health and social care services, with the aim to maintain people's independence for longer and reducing the need for long-term care and support services.

EXECUTIVE SUMMARY

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.

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.'

The purpose of this report is to provide Members with an update on the steps being taken by North East Lincolnshire in response of the Government's publication of the 'Market sustainability and fair cost of care fund 2022 to 2023' guidance.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Grants authority to the Director of Adult Social Services to determine the targeted approach to the £526k Fair Cost of Care Fund for 2022/23, as per the strict conditions of the fund and in line with the key principles as set out within the NEL Market Sustainability Plan. Such authority to be exercised in consultation with the Portfolio Holder for Health, Wellbeing and Adult Social Care, Section 151 Officer, Executive Place Lead, and Place Director.

2. Refers the submission of the final Market Sustainability Plan to Scrutiny for consideration prior to its submission in February 2023.

REASONS FOR DECISION

For the Director of Adult Social Services to discuss the process and approach to target the 2022/23 Fair Cost of Care fund in consultation with the Portfolio Holder for Health, Wellbeing and Adult Social Care, Section 151 Officer, Executive Place Lead, and Place Director, to enable the swift start to working towards a sustainable market, as described within 'North East Lincolnshire's Market Sustainability Plan (1.4 of this report).

To submit the final draft in February based on the summary. The February submission will be a more detailed version of the draft proposal as set out in '1.4 North East Lincolnshire's Market Sustainability Plan' but will contain the same key areas of action.

1. BACKGROUND AND ISSUES

1.1 The Fair Cost of Care Fund

The government has to date announced £1.36bn to support the implementation of this element of the reforms from 2022/23 to 2024/25. Of this total, £162m has been allocated to Local Authorities in 2022-23 based on the Adult Social Care relative needs formula. The North East Lincolnshire share of the allocation for 2022/23 is £526k. Cabinet approval is sought to grant delegated authority to the statutory Director of Adult Social Services to determine how this fund is targeted based on the strict conditions as set out below and within the guidance, in consultation with the Place Director, the Section 151 officer, the Executive Place Lead and the Portfolio Holder.

The intended purpose of this fund aligns with Section 5 of the Care Act 2014, 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 of a 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 Guidance, ([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.

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. The guidance recognises that this is a journey and refers to 'moving towards' a fair cost of care.

Further funding will be allocated to Local Authorities in 2023-24 and 2024-25. The quantum of funding available may change depending on the returns from local authorities. The methodology for allocation in the latter years has not been confirmed and therefore the future funding available to the borough is unknown.

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. The fair cost of care exercise is expected to be “cost neutral” locally i.e., that the spend does not exceed the allocated funding.

Local Authority Requirements

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, North East Lincolnshire Health and Care (under delegation via the section 75 agreement) 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. The minimum requirements for local authorities were to include contracted services within these 2 categories, however it was decided to include the entire market for both over 65 care homes and 18+ support at home (domiciliary care).
- 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 (£526k) is being spent in line with the funds stated purpose.

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. It is important to note that the allocation of funds should be in line with the overall intentions of the local authority partner, in the context of the Place-based Health and Care Partnership, to support the development of a sustainable market of services that best meets the needs of residents.

The cost of care report will be published subject to DHSC agreement following the DHSC review as detailed in Section 1.7 of this report. The original guidance suggests that this will be by the end of October 2022, however we await final confirmation of the date of publication from the DHSC, which is likely to be provided once the DHSC has received and reviewed submissions from all local authorities in England.

There is no requirement to publish the provisional Market Sustainability Plan. However, the final document submitted in February will be published on the government website.

1.2. The Cost of Care Exercise

The cost of care exercise must be completed and submitted to the Department of Health and Social Care (DHSC) by the deadline of 14th October 2022 through engagement between local authorities, commissioners, and care providers to facilitate the data collection process. North East Lincolnshire will meet this timescale.

Care providers have submitted their responses to the fair cost of care exercise, and this has enabled North East Lincolnshire to gain a better insight and understanding into the local cost of providing care for care homes (65+) and domiciliary care (18+).

The exercise will identify the lower quartile, median and upper quartile costs.

To ensure consistency of approach to data collection, tools meeting the DHSC's suggested functionality have been 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 locally and the approach to engagement with providers.

Support at Home (Domiciliary Care 18+)

For support at home, a costing model has been co-developed by the Care and Health Improvement Programme (CHIP) with ARCC-HR Ltd and has been recommended for use by the LGA for the cost of care exercise.

North East Lincolnshire has used this tool to gain feedback from local support at home providers. It is recognised that this is a voluntary process for providers. Although the return rate has been lower than expected the providers who have participated hold over 30% of our total contracted support at home provision.

Residential & Nursing Care Homes

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

North East Lincolnshire have used this tool with residential and nursing care providers and have had a response rate is in line with the national average for return rates from care home providers.

Every reasonable effort has been made to promote the participation of providers in the exercise. North East Lincolnshire has held further engagement sessions with providers at each of the biweekly provider partnership webinars and held a dedicated webinar to update providers on the process and the next steps. Feedback from home care providers suggested that the lower than anticipated response has been because the completion of the return was time consuming and costly. As a result, an offer was made to providers to support costs involved in gathering the data and completing the return.

One to one sessions have also been made available with providers where needed with key staff including the service lead and head of finance.

The engagement process with providers has further included:

- A dedicated market sustainability and fair cost of care engagement meeting.
- Briefing providers via the support to care homes meeting (which is also attended by support at home providers).
- Correspondence being sent to all care providers to encourage and chase the submission of information.
- Engagement meeting relating to business returns and profit
- Follow up correspondence and meetings to encourage further submissions where response has been low.

1.3. Market Sustainability Plans

Alongside the cost of care exercise, local authorities are required to develop and submit a provisional market sustainability plan by 14th October 2022, followed by a final plan in February 2023 following the confirmation of local government budgets for 2023-24. Local Authorities are required to publish their final plans (with commercially sensitive information redacted) once these are finalised and following notification from DHSC that the review process is complete.

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.

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. It is not the aim to guarantee the viability of individual providers.
- 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.

The plan will have 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
 - how the fund will be used to shape the market that best meets the needs of the people in North East Lincolnshire.
 - any further actions the local authority plans to take to support market sustainability (for example, 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 housing)
 - how the plan complements other strategic documents or plans, such as the North East Lincolnshire Market Position Statement and the wider intentions of the Health and Care Partnership
 - how the local authority has engaged providers in the development of these plans

1.4 North East Lincolnshire Market Sustainability Plan

Below is a summary of the key information to be included in the provisional Market Sustainability plan for submission to the DHSC on 14th October. For the purposes of this report, information is included that is in the public domain, as well as information already shared with providers. This information below is intended to provide Cabinet with an indication of the direction of travel for the Market Sustainability Plan. Some of the information in this section is liable to amendment following further review of returns, and engagement with support from the Local Government Association and regional Care and Health Improvement Partnership.

1.4.1 North East Lincolnshire's current position and care market risks identified to date

1.4.1.1 Residential and nursing care homes

Section 1 Assessment to date of the current sustainability of the 65+ care home market

Overview (as of the week commencing 5th September) current care home market in North East Lincolnshire:

- There are 1305 CQC registered number of beds with and 78% per cent occupancy rate.
- The quality of the NEL care home market is good. The most recent CQC inspections demonstrate the following ratings across the homes in scope of this exercise:
 - 1 home is rated outstanding (3 per cent),
 - 29 homes are rated good (85 per cent),
 - 3 homes are rated 'requires improvement' (9 per cent),
 - 1 home rated inadequate 1 (3 per cent)
- Annual spend of £11.2 million by the local authority (Estimate based on the adult social care figures we are currently seeing, presented into an annualised figure)
- 34 local CQC registered homes within the scope of the exercise; a split of 28 residential homes and 6 nursing homes
- 931 staff across the in-scope homes

Section 2 – Assessment to date, and quantification of, the expected impact of market changes over the next three years

There is a long-standing oversupply of residential provision in NEL (78% occupancy), which indicates a risk of to the viability of parts of the residential market. The Covid 19 pandemic has impacted on care homes locally and 145 total available residential beds for people aged 65 and over have exited the market since 2020. This has helped to improve the occupancy rate, but it is imperative to ensure any exit from the market is managed carefully to ensure any moves are planned carefully and that people continue to receive the care and support that they require. There are established processes to ensure this in North East Lincolnshire, which are detailed in Section 2.1 below.

Where care homes have exited the market in the past, new providers have sometimes taken over those homes or developed large new care homes in North East Lincolnshire, often without sufficient market research or consultation with commissioners about what is needed locally. There is a risk that this destabilises the care home market and works against the aim to increase occupancy rates. This creates a greater risk of providers becoming unviable, as well as impacting on North East Lincolnshire's ability to develop a mix of care and support that meets North East Lincolnshire's overarching commissioning intentions (please see Section 1.4).

Demographic trends in North East Lincolnshire demonstrate an increasing proportion of older people as part of the total population, and, as people age, more residents are living with a greater number of health and social care needs. This increases the complexity of care and support required.

Capacity across residential homes and nursing varies throughout the year, however the split of the current occupancy rate demonstrates a different picture across the two:

- Residential care home beds occupancy rate 83%
- Nursing beds occupancy rate 69%

Whilst the available nursing beds appear to be high, the cause of low occupancy amongst nursing provision is the availability of nurses to service those beds and the frequent closure of a portion of the 6 nursing homes, for example due to outbreaks of Norovirus, and Covid19.

Further challenges that the local care home market is currently facing, and which are likely to be further compounded over the coming year are:

- High levels of inflation and rising costs impacting provider financial sustainability.
- A workforce shortage, with providers competing for the same workforce
- Hard for providers to compete with other sectors when recruiting and retains staff, for example retail and the NHS.
- Increased risk of provider failure / home closures.
- The ability to respond to the joint commissioning intentions of an integrated health and care system.
- Changes to the Care Quality Commission's (CQC) approach to regulation.
- Nationally, self-funders have historically helped residential providers' sustainability by cross-subsidising higher rates charged to self-funders with lower rates paid by local authorities. In North East Lincolnshire, there is a high number of self-funders in the market, representing 34% of the total occupancy. From October 2023, people paying for their own care will be able to approach councils to commission care on their behalf at the rates paid by local authorities. This is subject to local authority assessment of needs. The impact of this on provider sustainability will need to be further understood in North East Lincolnshire.

1.4.1.2 Support at home (domiciliary care 18+)

Section 1 Assessment of the current sustainability of the 18+ support at home market

Current position:

North East Lincolnshire operates a neighbourhood zoned 'teams not times' model with 3 contracted lead providers and 1 approved provider. The 'teams not times' model has been in operation for 3 years. The following indicators suggest that this model would benefit from review.

- Higher travel time than expected based on the fair cost of care returns, which will be explored further
- The move away from timed tasks is not fully embedded. In addition, the charging process does not fully reflect the intended model and therefore creates uncertainty.
- The capacity of providers remains below the requirements for the model to fully operate as intended. Neighbourhood based teams are therefore not always able to respond to requests.
- Spot purchase arrangements are having to be used to pick up calls outside of the model, particular for more complex needs. There is therefore an over-reliance on purchasing care outside of these contracts, which increases the uncertainty of availability and cost of care.
- There are 9 local CQC registered domiciliary care providers within the scope of this exercise, which employ 915 staff.

However, the quality of NEL's support at home provision is good. The most recent CQC inspections demonstrate the following ratings across the homes in scope of this exercise:

- 1 provider rated outstanding (11.1 per cent),
- 7 providers rated good (77.8 per cent),
- 0 providers in the scope have been rated requires improvement or inadequate,
- 1 provider is waiting to be inspected (11.1 per cent).

Section 2 – Assessment of (including quantification of) the expected impact of market changes over the next three years

Demand for services continues to grow and people requiring support to live at home have increasingly complex needs.

In line with the national picture, the workforce rate of pay for adult social care workers is low. Therefore, the local pool of staff is small, and staff often leave the domiciliary care sector for more favourable employment either in other health and social care sectors or outside of care altogether. Recruitment and retention remain difficult locally as providers are competing for same workforce and are not able to compete with other sectors such as retail and NHS.

Further challenges our local support at home market is currently facing and are likely to be impacted further by over the coming year:

- Rising cost of living impacting further on recruitment and retention
- Risk of increasing provider failures / contract hand backs
- The ability to respond to the joint commissioning intentions of an integrated

health and care system.

- Changes to the Care Quality Commission's (CQC) approach to regulation i.e.
- Providers who have not been inspected for some time due to delays in the pandemic
- The changes to CQC regulation to inspect local systems to understand how they are working together to deliver high-quality care.

1.4.2 Approach to the development of a Market Sustainability Plan to address the sustainability issues identified above (section 3)

The Fair Cost of Care (FCOC) fund is intended to support North East Lincolnshire to realise its market ambition which will be set out in the full Market Sustainability Plan in February 2023. The guidance describes “moving towards” paying an established fair cost of care because it is recognised that this is an incremental journey towards ensuring there is a sustainable market of care that meets the needs of residents who require support.

The fund will be targeted to support the commissioning of a market that provides the right mix of care needed in North East Lincolnshire. The fund will not be used to support or ‘prop up’ individual providers but to sustain the care home and support at home market. It is also important to ensure that the fund is used by providers to increase the rate of pay to care staff to support recruitment and retention, as well as ensuring their overall business sustainability.

1.5 Overview of the Commissioning Context for the Development of the Market Sustainability Plan

The FCOC fund will be used within the context of the established and developing commissioning intentions of the North East Lincolnshire Health and Care Partnership. This builds on the existing strong foundations of joint working between health, social care, and the voluntary and community sector.

Key components of this that are relevant to the sustainability of the market sector in the scope of this exercise are as follows:

- North East Lincolnshire will ensure the development of an efficient market of care and support that most effectively meets the needs of our residents, and supports people to live independently with high quality services.
- The mitigation of under-occupancy includes working with providers to shape a residential care base that meets the needs of people with more complex health and care needs, which means a move away from residential care provision for people who could be supported in their own home instead of a residential setting (a “Home First” approach). The Market Sustainability Plan will emphasise the development of a sustainable market that prioritises a Home First approach, and the use of residential care for people as either interim step up/step down provision, or where the complexities of an individual's long-term health and care needs are such that they can only be met in a residential setting. This involves supporting providers to meet more complex and holistic needs, both in community and residential settings.
- North East Lincolnshire will work with the market to commission care homes to continue to ensure the availability of sufficient “surge” capacity to support NHS winter pressures, whilst enabling homes to continue to offer time-limited interim

bedded provision to enable timely discharge from hospital (hospital discharge pathway 2).

- It is likely that some care home providers who are unable to respond to these commissioning needs will choose to exit the local market. North East Lincolnshire will work closely with providers to support a carefully managed exit.
- The Home First approach means that more people are supported to return home following a stay in hospital, or where an avoidable admission to hospital is effectively prevented, through a programme of independence, recovery and reablement. Assessments of care and support needs will be undertaken with in partnership with people and their families and carers home in people's own environment; the assessment of needs will include a strength-based approach, which emphasises supporting people's support and community networks in partnership with the voluntary and community sector, and the joint setting of recovery and reablement goals, with the emphasis on the provision of support to enable people to remain living in their own homes. For many this will be a short intervention, enabling individuals to regain their independence and skills and to reduce the need for ongoing long-term care in the future. The extension of a reablement approach will see more people returning home and requiring less care and support. This will support a reduction and delay in the need for longer-term support.
- As indicated above, the "teams not times" model will be reviewed as part of the recommissioning of support at home contracts in partnership with providers and service users in order to ensure that more people can continue to live in their own homes with appropriate support.
- North East Lincolnshire will continue to extend its offer of Extra Care Housing. There are currently two additional schemes in development to deliver an additional 180 homes over the next 3 years.
- There will be an extension of the implementation of digital solutions with providers. This builds on the success of current programmes which enable a more rapid response from primary care and will support a Multi-Disciplinary Team (MDT) approach with a greater focus on the management of conditions and the review of key areas for people within over 65 care homes, for example, nutrition and hydration, frailty, and health checks. This will help to make best use of clinician time, ensure a timelier response to an increase in health and care needs, and reduce avoidable admissions to hospital.
- There will also be a focus on the development of more enhanced models of care delivery and utilising technology and equipment to support capacity and the improvement of outcomes. For example, the implementation of the single-handed care approach to reduce the number of carers required and increase the dignity with which care is delivered by making better use of equipment and improved moving and handling techniques.
- The improvement of the skill base of the care workforce is paramount to a successful market. Through the increase in staff pay and the support offered around training for key areas, it is the intention to develop a career pathway for the care workers. This will develop a progressive skill base in providing more complex care, including working with behaviour that challenges, and undertaking health care tasks with appropriate clinical oversight. As well as developing care work as a profession in its own right, this also enables care staff to meet more complex health and care needs in a holistic way and provides a better and more joined up experience for people receiving health and care support. It will also make more effective use of health and care

resources across the North East Lincolnshire Health and Care Partnership. This approach is currently being piloted in North East Lincolnshire, and the evaluation of this approach will further support the recommissioning of support at home in partnership with the NHS.

- Underpinning this approach to both the care home (65+) and support at home (18+) market is the need for partnership working with providers in a more transparent way and encouraging an “open book” approach to enable a mutual understanding of the costs of providing care. Engagement with providers through the sessions described in Section 1.1 indicated a willingness for providers to work in this way.

1.6 Next steps for the funding

- Confirmation of how funding will be prioritised following the fair cost of care exercise and in line with our commissioning intentions. Delegated authority is sought for the statutory Director of Adult Social Services (DASS) to determine how to utilise the £526k fund for 2022/23 (across both care home and support at home markets).
- Provisional plans will be made for future spending in 2023/24 and 2024/25, which will be finalised once the allocation of the Fair Cost of Care Fund is confirmed for these years.
- A final Market Sustainability Plan will be published in February 2023 demonstrating a commitment to moving towards a fair cost of care. Further guidance is awaited from the DHSC on the exact timescales for publication.

1.7 DHSC Review of Returns

Following submission on 14 October 2022, the DHSC will review local authority returns. This review process is designed to assure the Department that local authorities have complied with the reporting requirements outlined in the Market Sustainability and Fair Cost of Care grant conditions.

To support the DHSC to understand the approach a local authority has taken to conduct their exercises, and as set out in the published guidance, three key principles will be considered:

- a. Consistency – whether returns are consistent with DHSC templates and core requirements set out in Annex A, B and C alongside the grant determination letter; whether reports are internally consistent, and whether returns are consistent with those of other similar local authorities.
- b. Transparency – whether exercises are evidence-based; whether the approach to key cost lines has been set out; whether plans demonstrate a considered analysis of sustainability challenges and clear strategy to address these in line with the fund objectives; whether market analyses have been undertaken at an appropriate level of detail.
- c. Partnership – whether providers have been given sufficient opportunity to participate in both cost of care exercises and market sustainability planning. Provider engagement should be evidenced in cost of care reports by outlining response rates of the exercise as a percentage of those invited and engaged with the market. A reminder that up to 25%

of the funding in 2022 to 23 may be spent on engaging with providers.

The returns will be reviewed in three stages.

- I. Formal review,
- II. Formal follow up
- III. Application of grant conditions.

In the formal review, cost of care exercises will undergo analytical review within DHSC, and the process that local authorities have gone through to arrive at the fair cost of care calculations in their cost of care exercises will be considered alongside the assessment of the local market in the provisional Market Sustainability Plan. Local authorities will be contacted with either confirmation that we are content with submissions or to follow-up where we have questions about whether exercises sufficiently align with our guidance. The aim is to inform local authorities of their position by the end of November.

Where a local authority's returns have complied with the Fund's conditions, this will be confirmed in writing and the local authority will not progress to the next stage of the review process.

Where DHSC have questions over local authority exercises, formal follow-up sessions will be required to give local authorities the opportunity to clarify or evidence the contents of their returns. DHSC will bring a list of areas for discussion alongside potential action points. This is intended to be an iterative and co-produced plan to help the local authority meet the expectations of the Fund. DHSC will work alongside local authorities to put action plans in place and support local authorities to deliver them, where this is required. These virtual sessions will take place throughout early December. The length of time DHSC work with local authorities on their action plan will vary, but it is anticipated these could continue to run for the rest of the financial year, ahead of local authorities beginning to increase their fee rates.

As set out in the grant determination letter, in the event that a local authority is in breach of the grant conditions, which include failing to sufficiently engage with the support made available and/or requests for further information, payments in 2023-2024 or 2024-2025 may be reduced, suspended, or withheld.

1.8 Future work for establishing a Fair Cost of Care for the whole market.

The Fair Cost of Care exercise has not included providers for younger adults, including services such as supported living and residential care for younger people with learning disabilities, physical impairments, or mental health support needs. Further work will be needed beyond the scope of this immediate work to enable a whole-market approach.

Consideration needs to be given about whether increases in rates to domiciliary providers will also include supported living to not destabilise the homecare market or widen the gap between services pushing workforce pressures into

other sectors of the market.

Learning from this initial exercise will be utilised in future fair cost of care and market sustainability exercises.

2. RISKS AND OPPORTUNITIES

2.1 Risks

Fair Cost of Care vs Inflationary uplifts

Given our fee base locally, it is likely Fair Cost of Care will identify a gap between the current fee rates and the median rate that is established through the exercise. It is important to note that local authorities are not expected to meet the entirety of this gap but must demonstrate a move towards paying the median rate. This exercise is not intended to mitigate all inflationary pressures, which will need to be addressed through subsequent work with the care market in the fee uplift process as part of budget setting for 23/24. However, it is recognised that inflationary pressures have an additional impact on sustainability, and careful messaging was given to providers about this in the Market Sustainability Plan engagement session on 13th September.

There is a potential risk of not adequately maintaining the pace of inflation and further increasing the gap between the median rate and our current fee rates. The current significant and unprecedented inflationary pressures across the market is expected to continue is likely to present further risk of sustainability amongst our care homes and support at home providers and is a key dependency to North East Lincolnshire's work in developing a Market Sustainability Plan.

Fair Cost of Care funding in 2023/24 and 2024/25

Locally, the Fair Cost of Care is intended to be a cost neutral exercise. Future funding for 2023/24 and 2024/25 is indicated in guidance from the DHSC. The quantum of funding and the distribution methodology are currently unknown, as is funding beyond 2024/25. Therefore, there is a risk to all local authorities in committing to recurrent additional funding to care providers as a move towards the fair cost of care.

Provider failure

It is probable that some individual care home providers will become less viable and will choose to exit the market. This requires careful management through established processes in North East Lincolnshire to prevent multiple concurrent failures, or a significant number of providers choosing to exit the market at the same time. The Market Intelligence and Failing Services (MIFS) process brings together a multi-disciplinary group across health and social care to work with providers to improve or to exit the market in a safe and managed way.

2.2. Opportunities

As outlined in Section 1.4 above, the Fair Cost of Care exercise and Market Sustainability Plan provides an opportunity for the care and health system in North East Lincolnshire to move towards a sustainable market of care that better meets with commissioning intentions and enables people to receive care and

support in a setting that best meets their needs, with an emphasis on supporting people in their own homes wherever possible and helps people to strengthen their community and social support networks

3. OTHER OPTIONS CONSIDERED

- 3.1. Other options available to cabinet members is for a further report is compiled detailed the approach to the allocation and target the Fair Cost of Care fund for 2022/23, in line with the strict guidance, and a further paper with the detail of the final Market Sustainability Plan prior to February submission deadline.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 There are no identified reputational or communication considerations arising from the decisions requested from Cabinet in this report.

5. FINANCIAL CONSIDERATIONS

- 5.1 The grant funding for the fair cost of care work for 2022/23 in North East Lincolnshire is £526k. The exercise is expected to be cost neutral in North East Lincolnshire and therefore the spend cannot be more than the funding available. It is currently unknown what the funding will be for 2023/24 and 2024/25, which presents a risk to the 2023/24 budget-setting process until this funding is confirmed. The quantum of the funding originally announced at a national level may change following the review of the fair cost of care submissions in October 2022.

The funding will be utilised to deliver reform across the market and targeted in areas across support at home and care homes to deliver the ambition as set out within the Market Sustainability Plan.

Funding required to support the market during a time of significant inflationary pressures which impact on provider costs and staff pay add an additional complexity to ensuring a sustainable market of care. As is the case with all local authorities, there is a significant risk that North East Lincolnshire will be unable to meet all these financial pressures. These pressures will be quantified, and form part of the budget setting process for 2023/24 in close consultation with the Section 151 Officer. Although these pressures are not part of the scope of the Fair Cost of Care exercise, they represent a significant dependency in realising North East Lincolnshire's commissioning ambitions for a sustainable market that best meets the needs of the local population and will therefore be considered in this context.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

- 6.1. There are no children and young people implications applicable to this report.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 7.1. There are no climate, change and environmental implications applicable to this report.

8. CONSULTATION WITH SCRUTINY

8.1. This report will go to Scrutiny on 5th October 2022.

9. FINANCIAL IMPLICATIONS

9.1. The precise financial implications are still to be fully understood given funding for 2023/24 and 2024/25 is still to be confirmed. As is the case with all local authorities, there is a risk that the Council will be unable to fund the outcome of the process and support market sustainability. The implications of the outcome of the process will need to be managed as part of Council's wider 2023/24 budget setting.

10. LEGAL IMPLICATIONS

10.1. The legal implications are largely covered in the above report. The Council must comply with its statutory obligations (s5 Care Act 2014) whilst having regard to the "Care and Support Statutory Guidance", and "Market sustainability and fair cost of care fund 2022 to 2023" as set out above, together with the emerging guidance from national bodies.

10.2. As part of the process, Officers are directed to consider any need for an equalities impact assessment.

11. HUMAN RESOURCES IMPLICATIONS

11.1. There are no HR implications

12. WARD IMPLICATIONS

12.1. All wards will be affected.

13. BACKGROUND PAPERS

13.1 North East Lincolnshire Market Position Statement 2022-2025

<https://www.nelincs.gov.uk/assets/uploads/2022/06/North-East-Lincolnshire-Social-Care-Market-Position-Statement-2022-2025.docx>

14. CONTACT OFFICER(S)

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