

Annex C: Rotherham's Market Sustainability Plan – Submission 27 March 2023

Section 1: Revised assessment of the current sustainability of local care markets

a) Assessment of current sustainability of the 65+ care home market

Strategic Intentions:

- Cordis Bright carried out a care home market strategic analysis in Rotherham which highlighted that demand for care home beds is reducing and commissioning priorities are moving towards a Home First model.
- Demand forecasting suggests that there is an over-supply of residential and residential dementia care home beds that will persist until at least 2025/26. If bed occupancy levels are to increase to a sustainable level of 90% this would mean that the number of residential / residential dementia beds available in Rotherham need to reduce.
- Furthermore, demand for future care home places is likely to be for people with complex nursing needs requiring specialist support in environments suitable for people with reduced mobility or with advanced dementia.
- Therefore, the Council expects a downward demand for residential care due to an increasing supply of alternate provision in response to the Home First ambitions, provision of home care packages, assistive technology, community equipment and adaptations.
- However, there is recognition that care homes will also need to continue to support older people with the most complex needs and ensure people approaching the end of their life receive high quality care.

Key Issues and Challenges:

- Increasing costs in relation to inflationary pressures is having an impact on stability and sustainability of the care home market.
- Demand for nursing and nursing with dementia provision is continuing to grow due to the complexity of people requiring care home provision.
- Several providers have de-registered their nursing capacity over the last 5 years and this is a pattern also seen regionally.
- One nursing care home closed in October 2020 in the north area of the borough and one provider in the south area will de-register their nursing dementia unit in May 2023.
- The inability to recruit qualified nurses due to a depleting workforce and increasing costs of agency nurses is causing concern and set to be a continued trend both locally and nationally.
- Increasing use and high cost of agency nurses is having a negative impact on patient flow from the hospital and ability to continue to provide and maintain a quality service.

- There is an under-supply of nursing and nursing dementia beds in Rotherham to meet increasing complexity of needs, especially in the north of the borough.
- This can delay the hospital discharge process or result in out of borough placements being sought, thus reducing choice.
- There is an over-supply of residential and residential dementia beds resulting in a low bed occupancy rate in some care homes.
- Capacity issues in the home care market has led to increased admissions to spot purchase / short stays beds. This can lead to increased dependency of individuals as well as increasing bed occupancy in the care home market.
- The increase is undermining the ambitions of a Home First model of hospital discharge and actions are being taken across the health and care system to address this trend.
- The advertised rates of some care home providers are geared more towards self-funders. This is a concern as when self-funders finances fall below the threshold, this will result in the Council becoming liable to financially support these placements.
- The converted stock is often of older type and typically requires higher level of investment.

Provider Feedback:

- Provider engagement has taken place to inform the Fair Cost of Care and Market Sustainability Plan exercise which has highlighted the key issues and challenges cited above. Meetings were held in May 2022, September 2022 and January 2023 as part of ongoing engagement processes.
- One-to-one sessions have also been held with care home providers who have raised concerns in relation to increased costs, sustainability of the care home market and low bed occupancy levels.
- One-to-one sessions are being held with nursing care providers to increase their nursing EMI provision to meet complex needs.
- One provider has confirmed they will convert beds to provide an additional 9 Nursing EMI placements from end of March 2023.

Capacity:

- There is an under-supply of nursing dementia beds in Rotherham to meet increasing complexity of needs and a clear lack of provision of nursing care beds in the north of the borough. There is an over-reliance on 8 providers who provide nursing dementia provision beds and 11 providers for nursing care provision.
- Capacity issues in the home care market has led to increased admissions to spot purchase / short stays beds and there are currently 106 residents in short stay placements (an increase of 44 over the winter period).
- The current bed occupancy rates are 85% which is slightly lower than the 86% rate achieved pre-pandemic. However, this shows that there has been a recovery in the care market, given this reduced to 74% in July 2020.
- The Council contracts with 32 independent sector care homes offering 1,607 residential, residential with dementia, nursing, and nursing dementia beds for older people in Rotherham.

- The table below shows the number of vacancies per category type:

Residential	Residential Dementia	Nursing	Nursing Dementia	Total
71	95	39	30	235

- There are 20 purpose-built care homes and 12 converted buildings. The national and regional companies own most of the purpose-built care homes, and the smaller organisations own most of the converted stock.
- A new purpose built care home offering 66 residential and residential dementia beds in the north of the borough will open in May 2023, despite there being an over-supply of these types of beds.
- The converted stock is often of older type and typically requires higher levels of investment. The organisations owning these types of buildings are possibly the least profitable and the less able to invest in modernisation.
- There has been a significant shift in the types of ownership relatively recently with large national providers exiting from the market i.e., from a position of 50% market share to 20% market share in the last 5 financial years.

Increasing Costs:

- Increased inflationary pressures is having an impact on stability and sustainability of the care home market. Cost pressures have also increased due to the National Living Wage (NLW) which will increase by 9.7% to £10.42 in April 2023. The Real Living Wage will increase by 10.1% to £10.90 in April 2023. This could lead to care home providers with low bed occupancy rates exiting the care market.
- Care providers are reporting increased costs in agency staff due to the rise in living costs. This has now increased from £14.60 per hour to £21 per hour (£28 over bank holiday weekends) with some providers. Care home providers have confirmed that care workers and nursing staff have resigned to take jobs with attractive pay rates, better terms and conditions, joining bonuses and increased wage rates within the retail, hospitality, entertainment sector and the NHS.
- Care home providers are reporting increased utility costs due to wholesale cost increases as recent renewals have revealed an increase of between 300% to 500%. A significant increase in the cost of utilities is particularly concerning over the winter period given the high energy use in the sector.
- The requirement of the sector to employ high-cost agency nursing and care staff is causing a financial burden and has become a long-term issue.

Recruitment and Retention of the Workforce:

- Feedback from providers around converting some of the residential care beds to nursing beds are around the inability to recruit qualified nurses due to a depleting workforce and increasing costs of agency nurses, which is causing concern and set to be a continuing trend.
- The lack of nurses and enhanced terms and conditions of employment (pay, pensions, workplace support) offered by the NHS are a challenge to the

independent sector market who are not able to compete to attract qualified nurses to work in care homes.

- There is a national high turnover of nursing staff at a rate of 34.4% per annum and this pattern is also seen locally (State of the Adult Social Care Sector and Workforce in England (2021/22)). This nursing capacity cannot be replenished easily.
- There is a total of 1,468 directly employed care home staff including 74 directly employed nurses, 985 directly employed care staff and 409 non-care staff. This represents a total of 94.3% of the total workforce.
- There are a total of 89 agency / bank staff including 12 agency nurses, 67 care staff and 10 non care staff (capacity tracker). This represents around 5.7% of the workforce in care homes for older people.
- There is a high staff turnover of rates in a small number of care homes, resulting in a significant increase in recruitment and retention costs, although minimal turnover in care homes that consistently achieve a CQC rating of Good.
- The increased requirement for skilled care for Rotherham's older population may not be met if this trend continues without a long-term solution being identified.

Quality:

- The table below shows the CQC ratings of independent sector care homes:

CQC rated Good	CQC rated Requires Improvement	CQC rated Inadequate
26	6	0

- 81% of the contracted care home market is CQC rated Good and 19% Requires Improvement.
- The themes of contract concerns are around infection prevention and control, nutrition, hydration, medicine management, falls and care planning.
- The NHS are providing training, advice and support in these areas to increase quality and safety in care homes.

Funding Sources:

- There has been a significant shift in the market from a historical position of the Council being the dominant purchaser over the last 5 years with 50% of the market share to the position set out in the table below:

RMBC	Self-Funders	CHC fully funded	NHS commissioned step down beds	Out of borough placements	Vacant beds
35%	22%	6%	2%	20%	15%

Fee Rates:

- The following table details the fees for 2022/23:

2022/23 Fees	Residential	Residential Dementia	Nursing Care*	Nursing Dementia*
Rotherham	£550	£574	£565	£627

**Excluding Funded Nursing Care element paid by the NHS of £209.19 from 1st April 2022.*

- The fee rates have been uplifted for 2022/23 by 9.03% which included a 6.62% increase on the staffing element of providers costs and incorporated the introduction of the National Living Wage (NLW) increase on the 1 April 2022.
- The following table details the increase in fees for 2023/24. The total increase in fees aims to address the current costs of delivery and inflationary costs. This approach aims to ensure a sustainable price for the different types of residential care that the Council purchases.

2023/24 Fees	Residential	Residential Dementia	Nursing Care*	Nursing Dementia*
Rotherham	£606	£632	£622	£690

**Excluding Funded Nursing Care element paid by the NHS of £219.71 from 1st April 2023*

- The fee rates have been uplifted for 2023/24 by 10.1% based on the Consumer Price Index (as at September 2022) to address the current costs of delivery and inflationary costs from the 1 April 2023.
- The Funded Nursing element has been uplifted by 5% for 2023/24.
- The estimated average fee rates for self-funders are around £800 to £850 per week for residential care. Therefore, the gap between the current fee rate is around £200 to £230 per week.

Charging Reforms:

- The Council recognises the need for charging reforms which needs to be closely linked with the wider social care reform of the care market and care services. However, the delays in charging reforms until October 2025 provides the Council adequate time to prepare, recruit the necessary workforce and undertake a fundamental review of social work / financial resources and digital infrastructure to manage increased assessments to support self-funders and the introduction of payment records in relation to the care fee cap.

b) Assessment of current sustainability of the 18+ domiciliary care market

Key Issues:

- Capacity has been one of the major issues in the market post June 2021. However, there are signs of recovery as hours of unmet need, which peaked at 867 hours per week in Summer 2022, have reduced to 194, and remained on a mostly downward trend in quarter 3, 2022/23.
- Geography – the semi-rural/rural areas of the borough remains an issue in securing home care provision.

Contracted market:

- Domiciliary care is procured through a Flexible Purchasing System (FPS). The Council commissions a block of weekly hours for each person (planned time) this is referred to as commissioned hours. The Council will pay in 15-minute blocks for planned calls so a planned 30-minute call that lasted 20 minutes, enables the provider to claim payment for 30 minutes. The provider's hourly rate includes travel time and expenses.
- Approximately 80% of the gross expenditure on contracted domiciliary care supports older people.
- There was an upward trend in terms of dependency on domiciliary care from 2018-2020 with 1,314 people supported and 18,000 hours per week delivered in Quarter 3 2019.
- In 2021/22, 1,183 people per week accessed contracted domiciliary care (15,319 hours per week) with an annual gross expenditure of £12.381m.
- In 2022/23 (Quarter 2 mid-term), 1,209 people accessed contracted domiciliary care (16,060 hours per week) with a forecast of annual gross expenditure of £13.028m.
- As at mid- March 2023, the Council supports 1,273 people and commissions 17,220 hours per week.

Capacity Trend:

- In June 2021, an average of 710 hours per week were unmet. An average of 577 hours per week were unmet during the entire period 2021/22. However unmet need increased to 867 hours per week during the school holiday period July to September 2022.
- Despite a range of contingencies, such as targeted block contracts and support (including fuel supplement payments) the capacity in the contracted market did not keep pace with demand in the first three quarters of 2022/23.
- Quarter four of 2022/23 has seen an upturn in capacity and contracted providers are reporting an increase in applicants and improved retention of staff.
- At mid-March 2023 there are 18 people eligible for care whose needs are unmet (circa 194 hours per week).
- At 27 March 2023 the market supply is meeting demand with no outstanding care packages to be allocated.

Geography:

- The geographical area most pressured is the rural south of the borough, where there are pockets of affluence (reducing the recruitment pipeline), and travel expenses are increased. Attempts to address this issue with block contracts, adding new providers to the FPS and fuel supplement increases have not materially impacted care worker availability.
- The contracted market is now more geographically disaggregated which may increase vulnerability of providers delivering smaller volumes. This has also made economies of scale more difficult to achieve and impacts negatively on contract management resources.

Quality:

- There are currently no serious concerns regarding the quality of contracted domiciliary care provision. However, one of the 19 contracted providers is CQC rated Requires Improvement. This is out of step with historic levels of quality compliance. For contracted provision, the themes of contract concerns centre on missed / late calls, delay / failure to report issues and medication errors.
- For the contracted / non-contracted domiciliary care market overall, it is noted that CQC are yet to inspect 16% of the market and 76% are rated Outstanding or Good, with 8% Requires Improvement.

Market position:

- The domiciliary care provision in Rotherham through the FPS was originally awarded in April 2020 following a competitive tender process. This exercise set the base rate which has been subject to annual inflationary increases that have been consistently applied since. However, the hourly rates fail to compare favourably to those paid in neighbouring authorities. The weighted average hourly rate paid to providers is currently £18.33/hr.
- The April 2020 competitive tender increased the number of contracted providers to 13. Since then, a further 6 providers have been appointed to the FPS. This has not in the main had a positive impact in meeting demand.
- In January and February 2023 four providers, including one specialist mental health provider, have been awarded a place on the framework. Three of which are new to the borough and are about to recruit staff. The fourth is an established provider in the borough who report that they have a good recruitment pipeline. One of the newcomers to the borough is concentrating on overseas recruitment.
- Most of the providers are independent sector private limited companies. There is a mix of national / regional / local providers with the majority being national organisations.
- The contracted market previously reported serious recruitment and retention issues meaning they were unable to meet demands for service. However, feedback from providers in March 2023 indicates an improving picture, with providers reporting a healthier recruitment and retention situation.

Provider feedback:

- Hourly rates paid by the Council to contracted providers are considered a contributory factor for the inability of providers to recruit and retain care workers.
- The unaffordable cost of fuel – care workers are forced to decline work due to the unaffordability of travel. This is particularly the case in the north and south of the borough with semi-rural areas.
- The providers report that some care workers are asking for pay advancement.
- Care workers are, in some instances, attending foodbanks to subsidise their incomes.
- Potential recruits are disincentivised to choose a career in Adult Social Care due to pay, travel, lack of career structure and negative perceptions of the sector.
- There is a competitive jobs market offering more attractive pay rates and terms and conditions which appeals to people seeking employment. The

geography of Rotherham, with strong motorway links is leading to a drain of the workforce into the warehouse / distribution sectors.

- Rotherham Care Workforce (Skills for Care intelligence):
- There is a very high churn in care workers (over 50%) increasing recruitment cost - reducing return on investment (lower churn in senior care workers).
- 87% of the workforce are on Zero Hour Contracts.
- 28% of care workers are employed on a part time basis and access state benefits such as Universal Credit.

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

- The Indices of Multiple Deprivation (IMD) 2019 shows that Rotherham ranks as the 35th most deprived upper tier Local Authority in England out of a total of 151. 36 of 167 Rotherham Lower Layer Super Output Areas (LSOA) are in the top 10% most deprived and 59 Rotherham LSOAs rank amongst the 20% most deprived in England. Rotherham also has a rising population of older people evidenced by the 2021 Census with the over 65 population projection to be 52,200 (19.6%). The number of people aged 80 years and over has increased by 16% between 2011 and 2021.
- Despite the demographic changes, impact is expected to be low in terms of new demand under s18(3) for domiciliary care from self-funders as Council funded care and support dominates the Rotherham market. However, given Home First ambitions, overall demand for this area of support is expected to grow.
- The domiciliary care and support provider market is unlikely to be sustained over the next 3 years without further intervention. The injection of temporary funding by the Council to support the market i.e., to bring the inflationary uplift forward in 2021/22 and the fuel support payments in 2022 have not had a positive impact of the scale required.
- Challenges remain with the domiciliary care workforce as this is the central component of the delivery model. Increased pay (more than the Real Living Wage and guaranteed levels of income) and changes to the conditions / status of employment to make the role more attractive are urgently needed to meet rising demand for older people to remain in their home.
- Challenges remain with the care home market as there needs to be a focus on the shift from residential care to nursing care in line with the Home First principles. This requires an increase in nursing and nursing dementia placements as dementia and end of life care and support is required to support complex needs, rather than standard type of residential care provision. There is a risk that the care home market may not adapt as there is some reluctance to provide nursing care placements due to the increased risk, costs, and inability to recruit qualified nurses due to a depleting workforce.
- There has been a significant shift in the market from a historical position of the Council being the dominant purchaser of care home placements. This has reduced from 50% of placements being Council funded in the last 5 years to 35%.
- The impact of the implementation of Section 18(3) of the Care Act 2014 which has now been delayed until October 2025 is anticipated to be around 250

new people per year for Rotherham requesting support with care home placements. Therefore, additional resources are required in social work and finance functions to support this. This will also have an impact of differential fee rates from residential care between those paid by the Council and those paid by self-funders. The introduction of payment records showing the cost of care of each resident towards the care fee cap will also have an impact.

- The care home sector is currently impacted due to the increasing inflationary costs associated with staffing, utilities, insurance cover and food.
- A significant increase in the cost of utilities is particularly concerning over the winter period and higher utility costs is likely to continue for a two year period.
- Covid-19 and norovirus outbreaks in care homes continues to impact on service delivery costs and this has increased over the winter period.
- The care market will continue to be fragile, and some providers may be at risk of closure, especially for those with low bed occupancy rates.

Section 3: Plans for each market to address sustainability issues, including fee rate issues, where identified.

(a) 65+ care homes market

Market Sustainability and Fair Cost of Care Grant:

- The Market Sustainability and Fair Cost of Care Grant will be used as a basis to provide increases in fees to providers in late 2022/23 and 2023/24 and 2024/25:

[Market sustainability and fair cost of care fund 2022 to 2023: guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance)

Gross Expenditure:

- The gross expenditure for the independent sector for care homes for people (excluding income from grants, CHC, client contributions and Funded Nursing Care) shows an increase of 7.3% in expenditure over the last five years.

Enhanced Health Care in Care Homes:

- The Enhanced Health Care in Care Homes (EHCH) Framework is currently being rolled out to ensure stronger links between primary care networks, with all care homes supported by a consistent team of health professionals, including named general practice support. The use of Rotherham Health Record to share patient data will also be extended to care homes.
[NHS England » Enhanced health in care homes](https://www.nhs.uk/england/enhanced-health-in-care-homes)

Housing Strategy (2022-25):

- The Council's Housing Strategy 2022-25 focuses on increasing the supply of affordable housing, both through new build and from bringing empty homes back into use. [Housing Strategy 2022-2025 \(rotherham.gov.uk\)](https://rotherham.gov.uk/housing-strategy-2022-2025)
- The Council has been carrying out a "Where do you want to live?" survey in 2022 to capture the current and future housing needs and aspirations of residents. Surveys are also conducted of people who have moved into new Council built homes and feedback is used to inform the future development of schemes.

- The feedback is that people want more bungalows to be built. The purchasing of additional bungalows from private developers to support people with accessibility needs to continue to remain living in the community will be explored. The plan is also to maximise the use of aids, adaptations, and assistive technology to support independence in the home to meet the needs of a range of people and support the creation of mixed communities. This supports the principles of Home First.
- The Council will continue to support older people to remain at home in the community for as long as appropriate and are keen to expand housing related support provision such as Supported Living, Extra Care and Shared Lives models and other models of support such as “live in” care.
- The Council is encouraging potential providers and developers to enter into dialogue around these potential new developments which is illustrated within the Council’s Market Position Statement – [Adult Social Care: Market Position Statement – Rotherham Metropolitan Borough Council.](#)

Fair Cost of Care Returns:

- The outcome of the Fair Cost of Care exercise shows a weighted median value of £664.85 for care home placements without nursing and £1,030.07 for placements with nursing (including FNC). Based on the current average payments to care providers this equates to a gap of between 13.89% and 20.79% using IBCF fee rate definitions.
- However, there were some issues with the quality of the data with significant variations in respect of Return on Capital (ROC) and Return on Operations (ROO). The provider submissions were adjusted in line with LaingBuisson recommended rates and are reflected in the figures above.
- Even after adjusting for ROC / ROO it was felt that issues still remained with the overall quality of the data. For example, the median cost per week for care homes without nursing with enhanced needs is less than care homes without nursing and this is the same for care homes with nursing. It would be expected that the outcome would be the rates for care homes with enhanced needs to be at least the same or more than those without enhanced needs.
- Further details are included in the Annex B: Cost of Care Report – Care Homes Aged 65+ - link below: <https://www.rotherham.gov.uk/downloads/file/3088/cost-of-care-report-care-homes-aged-65->
- Further work will be undertaken with providers in 2023/24 as part of a move towards determining a true fair cost of care.

Market Sustainability and Fair Cost of Care Fund 2023/24 and 2024/25:

- The strategy is to work towards a Fair Cost of Care fee rate for care homes over the next two years, subject to further Market Sustainability and Fair Cost of Care Fund monies being made available from Central Government for 2023/24 and 2024/25. Nursing and Nursing Dementia fee rates will be given priority to support older people with the most complex needs.

(b) 18+ domiciliary care market

Supporting the Market:

- The Council has applied inflationary uplifts for domiciliary care every year since 2020/21 using available budget. Running alongside the financial support, additional activity has been carried out to support the sustainability of the sector.

This includes:

- Enabling providers to flex care packages up / down by up to two hours based on their judgement of the needs of the individual. Apply strength-based approaches to empower care workers.
- Exploring care packages which require multiple carer visits using principles of proportionate care through the Community Occupational Therapy service to issue assistive technology to create more home care capacity.
- Create additional capacity through the review of incumbent / suspended (hospital admissions) packages to reduce care where safe to do so.
- Frequent engagement with practitioners including creative support planning to meet eligible care and support needs through informal networks, community solutions, consideration of assistive technology, equipment, consideration of direct payments, shared lives etc.
- Increase capacity on the Flexible Purchasing System.
- Utilisation of future DHSC Grants and South Yorkshire ICB funding to increase capacity, create new service provision.
- Block contract arrangement where care workers are paid on a shift basis / higher pay rates temporary. This initiative has had a positive impact however the deterioration in the economic situation threatens to nullify any advantage created.
- The ability of the FPS to respond quickly to requests for block contracts to facilitate hospital discharge has proved successful and gives confidence in commissioners and the markets to respond quickly to demand.
- Expansion of the capacity on the FPS, with new entrants to the market, will further combat capacity issues.
- Domiciliary care rates are currently at a weighted average of £18.33 per hour with the Fair Cost of Care exercise identifying a median hourly rate of £22.47. This equates to a gap of 18.42%.
- The Fair Cost of Care exercise was completed, and the median rate applied, this will improve care worker pay, and recruitment and retention of staff.
- For 2023/24 variable uplifts have been awarded to providers in recognition of the outcome of the Fair Cost of Care exercise. This has resulted in an average uplift of 20.3%. This had a bias to rural and semi-rural locations to appease the costs in relation to travel.
- Further details are included in the Annex B: Cost of Care Report – Home Care. Annex B - <https://www.rotherham.gov.uk/downloads/file/3089/cost-of-care-report-home-care>
- The home first model and reduction in residential care admissions will increase the demand for home care and the FPS will allow capacity to be built.
- Regular forums with providers will keep the market abreast of our strategic direction in conjunction with a regularly updated online market position statement. In October 2020, the results of an analysis of need for accommodation with support, for people with learning disability and / or

autism and, people with severe mental illness over a 10 year period (2020-2030) indicated a minimum of 35 units of supported living were required for people living with mental ill-health (Campbell Tickell). Flexible Purchasing Systems for Mental Health Recovery Services and Learning Disability and Autism Services in the community are being developed.

Market Sustainability and Fair Cost of Care Fund 2022/23:

- The available funding from the Market Sustainability and Fair Cost of Care Fund 2022/23 was utilised to support the adult care market. The funding amounted to a total of £908k for 2022/23. £566k of the funding was allocated to home care providers, £305k to care home providers and the remaining £37k was used to support an additional post that was recruited to undertake this work. The preference was to use the fund to support the domiciliary market which is currently most challenged and to a lesser degree care homes. The detailed proposals were agreed by the Council's Cabinet on 21 November 2022.

Market Sustainability and Fair Cost of Care Fund 2023/24 and 2024/25:

- Cost of Care exercises will be completed annually. Subject to further Market Sustainability and Fair Cost of Care Fund monies being made available from government for 2023/24 and 2024/25, in addition to any inflationary uplift from the Council, then this will be reinvested in looking to bridge the identified gap. Any such proposals would most likely be phased over the next few financial years depending on the available funding. We await suitable investment from the DHSC.