



Rutland
County Council



**Rutland Adult Social Care Market
Sustainability Plan for
Residential and Home Care**



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1 BACKGROUND

Rutland is the smallest county in England and is situated in the East Midlands. It is a very rural county and in the lowest 10% of English local authorities for population density. It has two market towns, Oakham and Uppingham, who make up approximately half of the overall population, with 54 villages.

According to data released from the 2021 census, the population in Rutland has increased by 9.8% since 2011 to around 41,000, a greater percentage increase than for the overall population of the East Midlands (7.7%), and by a greater percentage than the overall population of England (6.6%). This includes a 37% increase in 80-84 year olds, 25% increase in 85-89 year olds, and 31% increase in 90+ year olds.

Unemployment rates in Rutland are extremely low (1.7% of people were economically inactive and actively seeking work at the last Census) in comparison to both regional (3.7%) and national averages (4.1%). Similarly, economic inactivity due to retirement is significantly higher (28.4%) than regional (15%) and national (13.6%) averages. Of those in employment, just below 60% are in professional occupations (Major Group 1-3) which results in significantly higher weekly earnings at £710.40, compared to £573.40 (East Midlands) and £613.10 (national). Within the independent social care sector, the vacancy rate increased to c14% in 2021/22, nearly double that of the previous year, compared to a sub-regional average of c12%. Over 10% of staff are bank or agency workers, compared to 5% of the 2 neighbouring sub-regional authorities (Skills for Care skillsforcare.org.uk).

2 RUTLAND'S RESIDENTIAL CARE MARKET

There are 10 care homes for older people in Rutland with a total of 440 CQC-registered beds which equates to 1 bed per 11.4 people aged 75+ (ONS census 2021). Homes vary in size, the smaller homes tend to be registered for residential care and are sub 34 beds (5 homes), with the larger homes ranging from 45-82 beds offering mixed services (residential, residential EMI and nursing). 71% of beds are within CQC rated 'Good' establishments, 4% in 'Requires Improvement', 7% in 'Inadequate', and 18% 'Not Yet Inspected' (this is the home which opened Autumn 2021).

The rurality and relative affluence makes Rutland a desirable setting for people to move to in later life and we are increasingly becoming a net-importer of self-funders from surrounding areas. As such, we are seeing the market shift to cater for this cohort of people with 2 new care homes entering the market in the last 2 years, almost trebling the bed capacity with 146 new beds. The impact of these developments is significant; data on occupancy shows an average occupancy of 66% as of January 2023,

compared to c85-88% prior to the new homes opening. Self-funders make up on average between 63% of care home residents, significantly higher than the regional (35.6%) and national (34.9%) estimates. In contrast to most local authorities, the availability and affluence of self-funders means that very few homes in Rutland accept council-funded placements: of the 437 beds in Rutland, the Council have c100 placements at any one time including the Council's block contract of 30 beds. This breaks down by bed type to: 25% residential, 67% enhanced residential, and 8% nursing. These placements reflect a 37% share of the occupied beds, and 25% of the total beds available. Care homes are in a position where they can actively choose not to accept our placements or rates with no impact on their business.

Whilst there is an oversupply of beds locally, in reality there is a two-tier market - the self-funder market offering vastly different services which drive up cost: one provider's website describes the weekly fee covering: "...private meals in our fine dining rooms, use of special facilities (beauty salon, cinema and bar/bistro), limousine trips and telephone". This presents a number of challenges in relation to the ability to purchase beds at the local authority specification and rate. New entrants are actively targeting self-funders and are content to operate a strategy of low occupancy over several years; this is distorting the market capacity as well as redirecting self-funders from existing providers causing a risk to the financial sustainability of those existing providers.

2.1 Fees

Fee rates for 2022-23 were set at £523 for Residential, £558 Residential EMI/Enhanced and £608 Nursing (excluding FNC). We do not operate an enhanced Nursing rate as all placements that require this are negotiated separately based on the needs of the individual. Historically there have been only 3 providers who have accepted our banded rates restricting where we can place service users. Since summer 2022, predominately driven by the current economic pressures and availability of bed spaces, these homes are no longer accepting banded rates leading to all new placements being individually negotiated at c45-80% above the banded rates, and in a number of cases above the Fair Cost of Care Exercise rates (notwithstanding the limitations of that data and our concerns of its validity). This is not a sustainable financial position for the Council and will have an ongoing impact on future commissioning of placements and sustainability across the market should it continue. There are a number of scenarios potentially resulting from some providers' continued targeting of self-funders and refusal of council placements, driving up of fees by providers, over-supply of capacity within the two-tier market, and workforce capacity pressures (outlined below), none of which will be resolved by a change to banded rates.

2.2 Fair Cost of Care Outcome

Six of the 10 care home providers engaged in the Fair Cost of Care exercise. The level of responses and extent to which providers were able and willing to complete some of the detail requested left a number of significant gaps in the cost information. Consequently, the resulting figures of median costs created by the DHSC formula are not an appropriate means to inform the fee rates alone, and there are some significant inconsistencies in the costs resulting from the methodology (<https://www.rutland.gov.uk/adultsocialcare/adult-social-care-reforms>).

The limited data received from homes meant that some costs were estimated based on industry averages, rather than being Rutland specific. The data also didn't reflect differing costs within homes according to different staff structures for nursing and non-nursing care. For example, one home returned data based on all their beds delivering nursing care, rather than the mixture of enhanced residential and nursing that is actually delivered. The costs were unable to be disaggregated and consequently operating costs show as higher.

Using the required calculation model and the limited data submitted gave a range of potential costs from £823 to £974 for residential (both standard residential and enhanced) with a median of £882.80 and £1,080 to £1,199 for nursing with a median of £1,041.28.

These costs reflect the homes for whom information was provided, and consequently differentiations could not be made between residential care and enhanced residential care. It is also important to note that the data reflects the cost regardless of whether a bed is occupied by a council-funded placement or a self-funder. It is not a complete picture of costs, and therefore it is impossible to tell how closely or otherwise this resembles providers' actual costs, particularly as no feedback was received from providers when the outcome of the exercise was shared with them.

2.3 Fees for 2023/24

Providers that engaged in discussions with us during the Fair Cost of Care exercise expressed ongoing difficulties with inflation across all aspects of expenditure. This has been taken on board and reflected in how we have approached increasing our fees for 2023/24. We have pro-actively sought feedback from providers as part of the fee setting process for 2023/24. Providers were invited to specific meetings in February 2023 to discuss fees and ensure there is a mutual understanding of the pressures faced by both parties and a commitment to deliver care.

The Council is increasing fees by over 40% in 2023/24 in recognition of historically low fee levels and to address inflationary pressures, such as utility costs. Whilst the

reversal of the additional 1.25% on employer's NI payments will reduce provider reported costs, the National Living Wage will increase by 9.8% from £9.50 to £10.42 per hour from April 2023.

The proposed increase has been welcomed by providers, who recognise this is a significant step for the Council. The rates from 1st April 2023 will be £775 for Residential, £825 for Residential EMI/Enhanced, and £900 for Nursing (excluding FNC).

2.4 Current Sustainability Concerns

Providers' primary concern regarding future sustainability is access to a stable and suitably experienced workforce, with providers having to compete to employ staff through increased pay rates. The impact of this is more stark between providers within Rutland's two-tier market: those newer providers exclusively targeting self-funders have greater flexibility to increase fees to increase rates of pay, drawing the limited workforce away from other providers (including domiciliary care and other types of service provision). The impact of staff shortages is not only fiscal, providers have also reported higher than average staff turnover which affects the continuity of care and in turn may impact on increased individual needs. Current market conditions are extremely challenging in relation to the workforce and consequently some providers are reliant on significant levels of agency staff. Providers have reported that nurse recruitment in particular is extremely challenging with rates 50-100% above usual pay rates.

The second largest threat to sustainability is the rising cost of food, consumables, and energy. The latter is particularly problematic as providers exit historic energy deals – the full impact of this remains unknown due to fluctuating inflation figures and uncertainty with regards to continuing government support for energy costs, especially for businesses. Fuel prices are however beginning to drop to pre-pandemic levels.

Additionally, the two-tier structure of homes in Rutland creates a risk to the ongoing ability of the smaller, older homes to invest in their infrastructure – those newer homes who attract self-funders are able to charge higher fees enabling them to invest in their overall infrastructure which in turn means they can attract more self-funders.

The delays to the Care Reforms are not expected to impact on the sustainability of our local market, given the predominance of self-funders. However, had the reforms gone ahead as planned, it is envisaged that a large proportion of the current self-funders would have become eligible for council support and come to us to request care to be arranged on their behalf. The level of self-funder rates in Rutland and the disparity between those and current Council fees (even allowing for the significant increase in 2023/24) would have caused a considerable financial impact on the Council. Self-

funder rates in Rutland are some of the highest in the country outside of London with an average of between £1,109 and £1,189 per week for residential care and £1,534 and £1,552 per week for nursing care, around £200-300 per week higher than neighbouring authorities. Additionally, the delays relieve the immediate pressure on the Council of the extra capacity needed to carry out additional assessments of self-funders. The national shortage of social workers, mirrored locally and exacerbated by the low levels of local unemployment, see Rutland's Adult Social Care system already under considerable pressure.

3 OUR CURRENT HOME CARE MARKET

The Rutland market is made up of a small number of providers registered locally, supplemented by providers from neighbouring local authorities. Currently RCC has 7 contracted framework providers, with an additional 3 spot providers; a further 2 Rutland-based providers are exclusively focused on delivery of services to self-funders. The share of the market which RCC purchase is estimated to be c32%; with a high reliance on providers from neighbouring areas delivering commissioned services on our behalf. Alongside this private market there is an in-house domiciliary care and reablement service (Micare).

We have commissioned a total of c65,800 hours of care so far in 2022/23; an increase from the full year total of 62,374 in 2021-22. It is important to note that recent challenges in the care home market have put an increased emphasis on supporting people in their own homes which is likely to increase future demand for services. Of the providers RCC commission homecare from, 76% of the weekly volume was commissioned from 3 providers; this risk is now mitigated by the recent tender exercise and additional providers contracted. The vast majority of providers (83%) are assessed as CQC "Good" or "Outstanding" (25% of these are Outstanding), given the influence self-funders have on the market we would expect to see higher-than-average levels of quality as service users act as 'consumers' in a lot of respects.

The market has been relatively stable, in the last 2 years' only one homecare provider has terminated their contract with RCC citing financial loss against council-funded packages. Given the current cost pressures, including fuel especially, many providers are only accepting packages within certain geographic areas to minimise travel. It can be challenging to allocate new care packages in the smaller villages and hamlets outside of the market towns (Oakham and Uppingham). However, analysis of brokerage referrals for December 2022 indicated a relatively low average wait from referral to care commencing of 3.5 days, a reduction of over 50% compared to December 2021, reflecting that the market in Rutland in its current state is sustainable despite the challenges.

Providers have reported that capacity in the home care market has been impacted over the last year, primarily due to challenges in recruitment and retention. Providers are competing for a limited pool of staff both in terms of those seeking employment and geographically. Additionally, in the local market there is greater autonomy for providers who are not reliant on RCC contracts to deviate from fee rates and pay staff more; in common with care homes this draws workforce from other providers. Additionally, the workforce is being reduced as workers move to care homes where the same level of travel and fuel costs are not incurred. This compounds recruitment issues for those providers who accept our service users. This challenge is currently counter-balanced by providers transporting staff in from neighbouring local authorities such as Leicestershire and Northamptonshire. It is currently unclear whether any changes in those markets will impact on this continuing in the future.

3.1 Fees

To a certain extent the domiciliary care market, unlike care homes, has been insulated from the inflationary pressures over the first 6-9 months of this financial year; however, the sector is particularly hard hit in comparison in relation to the cost of fuel due to care workers being required to use their own vehicles for transportation and largely only receiving minimum wage or slightly above. The costs incurred by the care staff are significantly increasing both at work and in their private lives, and thus being a homecare worker becomes decreasingly attractive compared to other occupations paying more without requiring the use of private vehicles. Providers are generally receiving fewer applications from staff who can drive and are therefore reporting the need to keep 'tight runs' in specific localities. The Council operate a standard rate (£18.79 p/h in 2022/23); therefore, there are some areas of the county where it is more difficult to find capacity than others. In recognition of the pressure caused by rising fuel prices, we offered a temporary additional payment of £2.50 per visit specifically towards fuel costs to mitigate this, although it is unclear the extent to which this is being passed to care workers. It was initially intended that this would end once fuel prices have reduced again, as a measure of goodwill we have extended this and it will now end on 31st March 2023.

3.2 Fair Cost of Care outcome

Eight of the 12 home care providers responded to the request for information and costs. The data received from providers represented an average of 792 hours of care and 900 visits per week. Providers delivered on average 14.5 hours of care to each service user per week, ranging between 6 and 21 hours.

The results of the Fair Cost of Care exercise indicated a range of £20.66 per hour to £31.51, with a median cost of £25.05. The greatest range of costs were attributable to individual cost lines for back office staff (£1.09 to £7.81), head office recharges (zero to £1.66), and surplus/profit contribution (£1.35 to £4.11). To some extent this

reflects the structures and target audiences of the local market. Provider feedback on the outcome also suggests that costs are very different between providers, with some expressing surprise at how high the median was and others noting that they already charged self-funders significantly more than the higher rate.

As with care homes, there are limitations with the accuracy of the costs derived from the data due to the completeness of data submitted, and the significant difference in the costs submitted reflects this.

3.3 Fees for 2023/24

Providers that engaged with discussions as part of the Fair Cost of Care exercise expressed ongoing difficulties with inflation across all aspects of expenditure. This has been taken on board and reflected in how we have approached increasing our fees for 2023/24. Providers have been involved in fee negotiations, so there is a sense of mutual understanding of the pressures faced by both parties and a commitment to deliver care.

The providers that have discussed fees with us raised concerns about the fuel supplement being withdrawn, despite the reduction in fuel prices.

The fee for 2023/24 has been set at £22 per hour, an increase of 17%, reflecting the continued pressure on providers, and recognising that whilst fuel prices have reduced again they are yet to drop to previous levels.

3.4 Current Sustainability Concerns

We are increasingly seeing requests from providers for more care packages and increased volume, suggesting that providers need more work in order to maintain viability. This is mirrored in neighbouring authorities.

The establishment of our Dynamic Purchasing System to place care packages has led to over 40 providers with contracts to deliver homecare in Rutland, of whom 36 are based outside of Rutland. This far exceeds our expectations and the capacity of the market. A number of these providers are new to the market and we expect 2 things to happen in the first 3-6 months of the new DPS:

- a number of the providers who are based outside of Rutland will withdraw as they will be unable to undertake efficient 'runs' given the rurality of the county and the low volume of care packages;
- a number of the newly established providers will exit the market altogether, particularly those who are sole traders or very small.

Anecdotal evidence suggests that a significant number of providers have brought workers over to this country from abroad and consequently need care packages, and ironically we may see excess workforce in some areas of the local social care market, in contrast to the extreme workforce pressures both care homes and those care agencies not recruiting from abroad are experiencing. In addition, the cost of this additional workforce may force some smaller providers out of the market should they not be able to secure enough care packages to recoup their investment. The longer-term impact of this is unclear.

4 ONGOING ENGAGEMENT WITH PROVIDERS

The Council hold a quarterly provider forum for both residential and home care providers – home care providers who deliver care in Rutland regardless of where they are based are included in this; and providers who are based in Rutland but do not deliver council-funded care are also included. These are delivered as a mixture of in-person and online meetings with attendance from the Council including operational, quality assurance, and commissioning colleagues.

Additionally, most providers are engaged in weekly direct communication either through home care brokerage, or via the care home MDTs and intelligence and feedback gathered via those routes is routinely shared with colleagues across Adult Social Care and to inform operational and commissioning decisions where appropriate. As a small county with a limited number of providers, the Quality Assurance Officer is able to visit all providers at least once a year, enabling issues to be identified and feedback sought.

Although there is no provider representative organisation in Rutland, we receive feedback on wider issues, national policy and so on via regional and sub-regional networks where provider representative organisations attend.

5 FUTURE MARKET CHANGES

Our Adult Social Care Strategy sets out our ambition that as for those who need care as many people as possible will be supported within their communities. This includes actively seeking to reduce the use of residential care and promoting the use of community-based services and housing options. On the basis of this we are actively seeking to improve the home care offer and working to address capacity issues within that sector of the market. For example, the Care Technology provision was retendered during 2022 and the new contract starting from 1st April is expected to enable care

technology to be integrated further into community support to release additional capacity in support hours.

Implementation of this strategy is likely to have some impact on how we purchase services, particularly on the handful of care homes who accept RCC placements. We expect expansion of the home care market and some reduction in the number of beds we commission, although this is likely to have minimal impact in the short-term given the self-funder strategy deployed by a number of providers. Any expansion of the home care market will continue to be restricted by the availability of workforce and whether providers are able to recruit sufficient and suitably skilled workers to deliver the capacity needed. Hence the need to ensure that packages of care can be augmented with technology where possible.

Demographic changes indicate that the numbers of individuals requiring care and support will not increase substantially over the next 5 years, despite the projected increase in the older population. The current low occupancy rates and surfeit of care home beds means there will continue to be sufficient care home availability. In line with the Council's wider corporate strategy of supporting people to remain active for longer and more able to support themselves within their communities, and the our strategy to support people to remain at home for longer, we anticipate that the needs of those requiring care in the future will be more complex in nature and require greater specialisms to be held by the provider market. We intend to undertake further work in collaboration with primary and secondary health care provision and the Integrated Care Board to understand this in more detail and the potential impact.

The Fair Cost of Care for both care homes and home care identifies significant increases to the weekly/hourly fee rates currently in operation (full detail is contained in the Fair Cost of Care Report at <https://www.rutland.gov.uk/adultsocialcare/adult-social-care-reforms>), which had we moved to in full would have resulted in a significant financial impact to the Council, equating to an additional spend of over 14.7% of our current total annual Adult Social Care budget. Given our concerns with the data provided, our ability to meet demand, and the uplift provided for 2023/24, we believe the market is currently sustainable, although further analysis and modelling will need to be undertaken closer to the proposed 2025 implementation of the Charging Reforms given the extremely high numbers of self-funders locally.

At the rates agreed with providers for 2023/24, the increases from the existing banded rates for residential and nursing care will result in an estimated annual impact of c£1m, notwithstanding we already pay a number of placements above the banded rate, and these will continue at that rate for the length of those placements thereby creating a greater than £1m pressure.

The increase of the home care rate to £22 per hour will have an estimated annual impact based on current forecast volumes of c£275,000.

There will also be significant wider financial impact. We cannot consider fees for care homes and home care independent of the whole Adult Social Care market, particularly Supported Living and rates for Direct Payments. Activity (such as increasing the unit price) in one part of the social care economy is likely to have adverse impacts on sufficiency in other areas, especially as providers are recruiting from the same limited pool of workers locally. We are negotiating uplifts for both Supported Living and Direct Payments recognising their equally pressing financial constraints, the likely impact of which will be in the region of a further £350-400,000 in addition to the figures identified above.

The significant uplifts to fees for 2023/24 should bring rates closer to providers' actual costs, and we intend to review of the rate towards the end of 2023/24 ready for 2024/25 rate setting using the existing cost breakdown tool and updating providers' current figures to reduce the burden on them.

6 ADDRESSING FUTURE MARKET SUSTAINABILITY

The cost of care is one aspect of the overall sustainability of the market, and changes to fee rates alone will not address the stability of Rutland's market, particularly in light of the predominance of self-funders and lack of reliance from providers on council-funded placements for their financial viability.

Our initial plans to address local sustainability issues have focussed on thematic areas across the market and are drawn from the intelligence gathered through the Fair Cost of Care exercise and from our ongoing engagement with providers.

6.1 Fees and Cost Pressures

Cost pressures this year have been significantly different to previous financial years due to legislative changes to workforce pay (NLW, plus NI uplift), competition for staff and unprecedented inflation of over 10%. In response to these challenges, the fee uplift for 2022-23 was 7.15%; the fee uplifts for 2023/24 have been reviewed and from April 2023 homecare fees will be uplifted by 17% and care home fees will be uplifted by further 48%.

Whilst we made significant uplifts to fees both in 2022/23 and even more so for 2023/24, it is recognised that the financial pressures on the Council mean this is not replicable in future years without significant additional government funding to do so. The Market Sustainability Funding of £91,600 for 2022/23 and £227,000 for 2023/24 will not offset the fee uplifts to any great extent – for 2022/23 the funding was used to support the additional fuel supplement for home care provision; for 2023/24 the

funding will be used towards the overall fee uplift budget pressure for both home care and residential care. Additionally, we have raised Council Tax to its maximum to fund the £2m budget pressure anticipated from the fee uplifts across the adult social care market.

Future uplifts will be undertaken in consultation with the market to fully understand the inflationary pressures faced by providers. We will commit to reviewing cost pressures each year in partnership with providers to ensure, where affordable, the annual uplifts align to proportionate increases faced by providers.

6.2 Workforce Recruitment and Retention

Workforce recruitment in Rutland will continue to be a challenge – the low numbers of working age adults, levels of unemployment, and higher than average cost of living in Rutland are long-term factors. We are working across the ICS to identify potential support for recruitment opportunities shared across the market to reduce the burden on individual providers. In conjunction with Skills for Care, we have already sourced Leadership training for local providers in response to their feedback that this would assist with retention.

Providers also have identified that training for staff represents a pressure on their resources and has an impact on the quality of care provision they are able to offer and, for home care providers, on the types of care they can deliver and consequently the care packages they are able to accept. We have committed to reviewing training resources in consultation with providers and will explore alternative means to access training and/or providing some elements direct free of charge to providers. Providers have fed back that more Rutland specific and locally based training would be helpful, as much is currently delivered on a sub-regional basis impacting on their ability to attend.

6.3 Home Care Contract Changes

The new contracts will commence on 20th March 2023 and allow more flexibility within the market for providers to join as and when need arises. This will also enable us to better manage supply within the market locally. The new contracts and provider/RCC relationship management was informed by feedback received during the Fair Cost of Care exercise and the quarterly Provider Forum. Work with providers to review the changed specifications and feedback on how changes are impacting will continue to be sought. Additionally, we intend to keep the DPS under continuous review during its lifetime to establish how it is working and making a difference to our local market.

6.4 Other Opportunities

Diversification of Services

We also intend to explore how providers might diversify their services and develop specialisms to assist with viability and (for care homes) with occupancy. Examples of this diversification might include end of life care, delivery of day services, or overnight respite facilities. We will work with health colleagues to understand where specialisms might be needed, and work with providers to assess their appetite to diversify.

Support for Businesses

The majority of providers in Rutland are Small and Medium-sized Enterprises (SMEs) and may benefit from wider business support. For example, there may be potential opportunities to link providers into local business fora; explore group purchasing; support staff recruitment outside of the sector; and so on. We are currently developing our Economy Strategy which will feed into this, although we recognise that there are limitations on the extent to which we can support care providers as private businesses, given the requirement on us to maintain fairness and transparency in a competitive market.

The Council is committed to working in partnership with our providers to maintaining a viable market to ensure the best and most appropriate care for our vulnerable residents. It is our intention to continue our ongoing dialogue with providers, and continue to encourage their feedback, to assist us in achieving that.

A large print version of this document is available on request



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