



Northumberland

County Council

CABINET

Date: 11 October 2022

The Market Sustainability and Fair Cost of Care Fund 2022 to 2023

Report of the Director of Adult Social Services

Cabinet Member: Councillor Wendy Pattison, Adult Wellbeing

Purpose of report

To update the Cabinet about the "fair cost of care" surveys required as a condition for receipt of this Government grant, and to make recommendations about how the £1.027m grant allocated to the Council in the current financial year should be used to prepare for the impact of the planned national charging reforms on commissioned care services, including increases to the fees paid to the providers of key commissioned services.

Recommendations

Cabinet is recommended:

- 1. To confirm that £310K from the Market Sustainability and Fair Cost of Care Fund grant should be used in the current year to fund an increase in fees paid to homecare providers in return for a commitment to pay a mileage rate of 45p per mile. This is confirmation of the funding arrangements for the scheme which was agreed at the Cabinet meeting on 21 September**
- 2. To note that the full year cost of the mileage rates scheme is estimated at £620K, and that it may be possible to fund this wholly or in part from sums allocated to the Council from this Fund in future years, but that while the Government has announced that the national total of the Fund will be larger than this year's total by a factor of 3.7, we do not yet know how this funding will be allocated after the current year or what grant conditions will be attached to these allocations.**
- 3. To note that the grant conditions permit the Council to allocate an element of the grant not exceeding 25% (£257K) to offset costs incurred by the Council connected with the carrying out of "fair cost" surveys and other activity to prepare for the impact of the planned reforms to adult social care funding on**

commissioned care services, and that work is under way to estimate relevant costs in the current financial year.

4. To note that the grant conditions require that at least 75% of the grant (£770k) is used to increase fees paid to either home care providers or operators of care homes for older people, and to confirm that the remainder of the grant, after deducting the costs described in the recommendations above, will be used to fund a temporary increase to the fees paid to contracted homecare providers and care homes for older people in Northumberland for the remainder of the current financial year, the increase to be calculated as a standard percentage uplift based on the grant sum available."
5. To note that the Director of Social Services will be submitting to the Department of Health and Social Care (DHSC) on 14 October a completed template summarising the outcomes of the "fair cost of care" surveys which have been carried out; a report explaining how these figures have been calculated, and describing the areas of significant uncertainty in the figures; and a first draft of a "market sustainability plan" describing how the Council expects to approach the setting of fees for care services over the period of implementation of the planned reforms.
6. To note that these submissions to DHSC will not include any firm commitments about fee increases beyond the current financial year above the levels already provided for in the Council's existing contracts with care homes for older people and home care providers, and the mileage costs support scheme for home care, and that decisions about future fees will be made following further discussions with providers, including further exploration of issues arising from the survey returns, and the receipt of full information about the local government financial settlement for 2023/4, which the Government has indicated will include details of the allocation of the Fund in 2023/4.
7. To note that DHSC intends to review the "fair cost of care" submissions received from local authorities, and that it appears likely that they may ask local authorities to revise their calculations if they believe that these are not in line with the Department's intentions, or if there appear to be significant differences between local authorities in the way in which they have interpreted DHSC guidance. Local authorities will be required to publish their "fair cost of care" figures and their explanations of how these have been calculated following this national review.

[Link to Corporate Plan](#)

This report is relevant to the "Living" priority in the Corporate Plan.

[Key issues](#)

1. The Government announced in September 2021 reforms to the funding of adult social care, whose central features are the introduction of a "cap" on the lifetime amount which anyone will be required to spend on meeting their personal care needs, and changes to the means test for adult social care which will increase the number of people eligible for financial support from the local authority by increasing more than

fourfold the level of savings or assets which a person may hold while remaining eligible for local authority funding.

2. One objective of the reforms is to put an end to the long-standing situation that people who make private arrangements with a care home may be charged substantially higher fees than people placed by a local authority for what in some cases is the same type and standard of accommodation and support. To achieve this objective, the Government intends to implement a provision in the Care Act which will give anyone in need of care home accommodation the right to ask the local authority to make arrangements for them.
3. Taken together, the consequences of this legislative change and the availability of local authority financial support for people with savings or assets worth up to £100,000 is expected substantially to increase the proportion of all residents in care homes for older people who are placed under a local authority contract, and potentially also to reduce the fee levels which care homes are commercially able to charge to private residents, since these residents will have the option of asking the local authority to make arrangements for them at the rates in its contract.
4. The Government therefore expects that local authority fee rates will need to increase, to ensure that care homes remain viable. It set out in March 2022 details of an exercise which it expected all local authorities responsible for adult social care to carry out, designed to establish a "fair cost" for care homes for older people, based on a survey of the costs of all relevant care homes.
5. This survey was carried out in Northumberland between June and August, using a nationally-recommended survey tool. There are a number of difficulties in interpreting the survey returns as a guide to the level of fees which the local authority will need to pay to ensure that the care home sector remains sustainable following the implementation of the planned reforms. The period covered by the survey is highly unusual, with both costs and occupancy levels of care homes being substantially affected by the Covid pandemic. Care providers, like many other employers, are currently experiencing exceptional difficulties in recruiting and retaining workers, and it is unclear whether these are a temporary after-effect of the pandemic, or whether the pandemic may have accelerated the impact of longer-term demographic and economic changes which can not be expected to reverse. Forecasting the financial context of care services over the next few years is also made difficult by wider uncertainties about prospects for the economy and for public spending and inflation. There are also some specific issues, described in this report, about the interpretation of the data submitted through the survey.
6. Alongside the survey of care home costs, the conditions of the grant also require local authorities to survey home care providers. This requirement is not directly associated with the Government's planned reforms, since anyone who is assessed as needing homecare already has the right to ask the local authority to arrange it for them, regardless of their financial circumstances. Our understanding is that the Government added this to the grant requirements because of wider concerns about the state of the home care sector. As has previously been reported to the Cabinet, homecare providers have had unprecedented difficulty since summer 2021 in recruiting and retaining enough care workers to meet the needs identified by the Council.

7. Officers' recommendation is that the first call on the available grant funding in the current year should be targeted fee increases to support homecare services, including the scheme agreed by the Cabinet at its meeting on 21 September for fee increases linked to higher mileage payments to care workers. It is recommended that the remainder be used for a general temporary uplift for the remainder of the current financial year to both home care and care home fees, in recognition of the impact on their finances of in-year inflation and recruitment and retention difficulties. Separately, officers will review with care providers over the next few months the case for longer term increases to base fee levels, taking account of information gathered through the surveys and of Government decisions about the allocation of future grant funding.
8. The Council is required to submit by 14 October figures calculated from the survey returns in line with specifications set out by DHSC which the Department has described as indicators of the "fair cost of care", and intends to use in its assessments of whether local authorities are making adequate provision for the anticipated impact of the national funding reforms. Officers expect to adjust the figures received from providers in a number of ways, to arrive at figures which are not distorted by Covid-related changes to normal operations, and to make consistent assumptions about issues such as the reasonable rates of return which providers should be able to expect. In covering reports, officers will make it clear that the council is not yet in a position to make a commitment to any further specific increases in fees in future financial years, and will spell out the reasons for caution in interpreting the submitted "fair cost of care" figures.

The Market Sustainability and Fair Cost of Care Fund 2022 to 2023

BACKGROUND

1. The Charging Reforms

- 1.1 The Government announced in September 2021 its intention to implement from October 2023 a simplified version of proposals made in the 2011 Dilnot report, capping the lifetime costs of personal care at an updated figure of £86,000. The main change from the previous plans is that the revised reforms will be more narrowly focused on addressing concerns about the impact of care costs on people's savings and assets.
- 1.2 Details have subsequently been published of the proposed new arrangements, culminating in the publication in July 2022 of what is expected to be a final or near-final version of the statutory guidance about how the system is to operate. The government's expectations about what they expect the financial and other consequences of the reforms to be were set out in an Impact Assessment published in January 2022¹, which we understand will be updated later this year. Since the Government has recently announced its intention to not to make changes to the overall spending allocations for public services set out in the 2021 spending review, it is unclear what the consequences may be of updating the impact assessment to take account of the recent period of high inflation, since the inflation assumptions included in that assessment were considerably below the levels which have actually been experienced.
- 1.3 The Local Government Association (LGA) wrote to the Secretary of State on 1 August², expressing serious concerns about the timetable for the reforms and the adequacy of the funding allocated for them, and urging a six month delay to national implementation to allow time for reflection on lessons learnt by the trailblazer local authorities (though the letter also expressed doubts about whether the target date for implementation by the trailblazer authorities is realistic). Currently, however, advice from DHSC is that the reforms will go ahead on the timetable originally announced.

2. The extension of local authority responsibilities for care home residents

- 2.1 One consequence of the planned reforms is that local authorities will become responsible for contracting for the care of a significantly higher proportion of all residents in care homes for older people. This will arise in two ways:
 - a) the level of savings and assets above which people in need of care home accommodation are ordinarily required to pay the full cost of their placement will be increased from £23,250 to £100,000, so that a significantly increased number of care home residents will have their fees partly paid by the local authority

¹ The Impact Assessment is available at www.tinyurl.com/BuildBack21

² The letter is available at www.tinyurl.com/LGAAugLetter

b) the Government is intending to implement fully a provision in the Care Act 2014 which will give anyone who needs care home accommodation, regardless of their income and assets, the right to ask the local authority to make arrangements for them under its contract. This right already exists for non-residential services, but currently most people with assets above the capital limit for financial support are required to make private arrangements with care homes.

- 2.2 These proposals have significant financial implications for care home operators which accommodate a high proportion of residents on a private contract. Private residents in many care homes pay higher fees than those negotiated by the local authority, sometimes for identical accommodation and services (though there are also care homes in which the most attractive rooms are available only to residents who pay more than public sector rates). A widely quoted figure is that private residents may pay around 40% more than a local authority for the same accommodation, though it is not clear how common it is for the differential to be that great. If a higher proportion of residents are placed on local authority contracts, and local authority rates remain at their current levels, there is an obvious risk that this could destabilise the care sector in some areas.
- 2.3 In Northumberland, reflecting the long-standing view of some care home operators that their viability depends on "cross subsidy" of state funded residents by self funders, the contract between the Council and care homes has made it clear that the Council is not entitled to make arrangements on its terms for people who have assets above the capital limit. "Cross subsidy" is often described as unfair discrimination against residents with assets, but this issue is not in practice quite as simple as it may first appear. While to some extent the difference in fees clearly reflects the greater purchasing power of the public sector, disadvantaging residents who are not entitled to public sector support, care homes which charge lower rates to local authorities may be operating a business model in which they fill as many as possible of their beds with private payers, and admit publicly funded residents to fill any spare capacity. In such cases, it is not currently obvious that the public sector should be paying rates based on facilities designed to attract affluent older people.
- 2.4 The planned reforms will change this position, and a national expectation is that the consequence will be a convergence between private and public sector fee rates. The national impact assessment projects that of the total 10 year cost of the reforms of £23.25 billion (at discounted 2020 prices), £6.7bn will be increases in the cost of publicly-funded care home fees as a result of higher local authority fee rates.
- 2.5 Even if fee rates converge, some care home providers will need to make major changes to their business models. Both care home operators and local authorities have expressed the view that implementing these changes in full from October 2023 would risk destabilising the sector. In response, the Government announced in early July that it would be deferring for up to 18 months the introduction of a right for *existing* residents already in care homes in October 2023 to ask the local authority to take them on its contract. However it still plans to give all new care home residents from October 2023 the right to ask the local authority to contract for them.
- 2.6 It remains hard to be sure how this change will work out in practice. Care homes will not be obliged to accept local authority fee rates, and people moving into care homes under a local authority contract will continue to have a right to choose a care home which charges fees higher than the local authority rate, with a "top up" being

paid to meet the difference. However the Council will be obliged to offer anyone who needs to live in a care home at least one option which would enable them to do so without the need for the person or their family to top up the local authority fee.

3. The care home "fair cost of care" survey in context

- 3.1 To support the expected convergence of private and public sector fee rates, the Government issued in March 2022 detailed instructions for a "fair cost of care" exercise covering care homes for older people and home care services, to be carried out by local authorities and reported to DHSC by 14 October 2022. Technically this did not take the form of statutory guidance, but of conditions attached to a grant made available to local authorities to pay for fee increases. In practice, however, this process is so intimately connected with the planned October 2023 charging reforms that it is effectively mandatory.
- 3.2 This is the first time that a "fair cost" survey has been required by the Government, and the immediate reason for it is the connection with the planned reforms, but national concerns about whether local authorities are paying care homes and other providers a "fair cost of care" are not new, and the Council has had previous experience of surveys with similar aims which provide some reasons for caution. Two decades ago, in 2001, the then Government published an "agreement" after discussions with care provider representatives which is still referenced in current statutory guidance on the Care Act. This stated that "Providers have become increasingly concerned that some commissioners have used their dominant position to drive down or hold down fees to a level that recognises neither the costs to providers nor the inevitable reduction in the quality of service provision that follows", and urged local authorities to introduce "Fee negotiation arrangements that recognise providers' costs and what factors affect them (as well as any scope for improved performance) and ensure that appropriate fees are paid"³.
- 3.3 Following representations from local care home representatives based on that publication, the Council in 2003 commissioned a "fair cost of care" modelling exercise carried out by consultants, which recommended substantial increases in the fees paid to care homes for older people. These were implemented in stages over a three-year period, with the result that the Council's fees became significantly higher than most other North East local authorities. When the Council reviewed the position in 2012, it concluded that the consequence appeared to have been the development of more care home capacity than was required to meet needs, and decided to drop from a new contract the provisions for automatic increases which had resulted from the "fair cost" exercise. This decision was challenged in the courts by the Northumberland branch of the care home operators' association Care North East, but was upheld both the High Court and by the Court of Appeal. The judgements made it clear that it was legitimate for a local authority to make decisions about fee levels on the basis of its reasonable judgements about the state of the local care home market, without a requirement to carry out an "arithmetical exercise", and the Council has subsequently continued to do so, though it has considered carefully all information available to it, including a smaller scale survey of care provider costs commissioned by the Care North East branch in 2016.

³ Available at www.tinyurl.com/BuildingCapacity2001

3.4 Officers' view that arithmetical calculations based on surveys of providers were not a satisfactory basis for setting fees were based on a number of considerations. In particular:

- a) Many care home operators have in the past not agreed to officers' requests to see the detail of the returns received, and to know which care home each of these relates to. This has made it impossible to assess the consistency of the figures supplied with other information known to the Council, or to check with individual providers implausible figures included in the data. One positive feature of the current exercise is that both the DHSC guidance and the specific online tool developed with the support of the LGA in consultation with DHSC and national care provider associations have had the effect of enabling local authorities to see full detail of all submissions and to identify which homes have supplied which figures.
- b) Many of the cost models used in the past have assumed that if care home occupancy is at a low level fees should still reflect the average cost per resident. The effect of this over a period of time can be expected to be a "ratchet", in which low occupancy leads to higher fees which in turn encourage further overcapacity. The Council's experience between 2004 and 2012 appeared to show that this is not merely a theoretical risk.
- c) On previous occasions, there has been a difference of view between Council officers and some care home providers about whether the aim should be to raise Council fees to a level at which care homes would all be viable if they depended entirely on public sector fees, or whether it was reasonable to take into account the higher income which care home operators receive from private residents, since there were no grounds for expecting that providers would reduce their private fees in response to local authorities increasing what they pay. The charging reform plans partially address this issue, by giving residents a right to ask the local authority to contract for them, though it will not completely disappear, since care homes will remain able to charge higher fees if they believe that people who can afford to will continue to be willing to pay those rather than move to a home which accepts local authority rates, or a less desirable room in the same home.

3.5 At the point when this report was drafted, survey returns had been received with details for two thirds of the care homes for older people in Northumberland, which we understand to be a better return rate than has been achieved in some parts of the country. However the quality of the information is mixed, and some providers, including national corporate providers who operate a number of care homes in Northumberland, have declined to provide further explanations or corrections of figures which do not appear credible, or have not supplied all of the key information requested.

4. The care home survey

4.1 DHSC supplied detailed (though in some respects confusing) guidance about how they wished "fair cost of care" surveys to be carried out, but they did not prescribe the use of a specific tool for collecting the information. In practice, however, it became clear that almost all local authorities were intending to use a standard online tool commissioned by the Local Government Association, working together

with DHSC and the Care Providers' Association. Since many care homes are operated by national or regional companies, it became apparent that using the same survey tool as most other areas was the best way to maximise participation in the survey, though officers had some reservations about the design of the tool.

- 4.2 A third party organisation was engaged to provide support with the tool, funded from the element of the Government grant that was specifically provided to meet survey costs and other costs of preparing for the impact of the reforms on care services. The roles of this organisation (CommercialGov) included encouraging providers to participate in the survey, providing them with support and advice about how to complete it, and raising queries with providers where information that they had supplied appeared implausible or needed further explanation. Detailed analysis of the returns has been carried out by officers.
- 4.3 Responses were received from 48 of the 70 care homes for older people in Northumberland, though some of these were significantly incomplete. One national corporate provider declined to provide any information beyond a basic breakdown of its costs in 2021/22; one national non-profit care provider submitted a blank return and a separate letter arguing without detailed cost information for fee levels set at approximately double the Council's current rates.
- 4.4 In Northumberland, and we understand in other local authorities across the north-east and nationally, many providers returned figures which, if taken at face value, implied costs per resident substantially higher than current local authority fees, and also much higher than the assumptions in the DHSC impact assessment. Analysis of the figures has identified a number of reasons for this discrepancy. Among these:
- a) The survey tool invited providers to supply figures for both the return that they expected on the capital value of the care home and the return on operations (surplus or profit) which they aimed to achieve. Responses from providers to both questions varied greatly, and in many cases the figures returned appeared to reflect optimistic aspirations rather than a realistic assessment of what rates of return were required for care home businesses to continue to operate.
 - b) The most reliable figures supplied for actual costs related to 2021/22, a year in which the impact of the Covid pandemic substantially affected providers' costs. Care homes faced additional costs of Covid-related absence and infection control precautions – which were supported through national grant funding, but will still have appeared in the cost figures supplied. Many providers also had substantially lower occupancy levels than normal, either because of multiple pandemic related deaths or because of reduced number of admissions at a time when older people and their families were understandably anxious about the risk of living in a care home, and the reduced quality-of-life at a time when care homes were required to scale back visiting and communal life to reduce infection control risks. Since many of the costs of operating care home, including staffing costs, are largely fixed, this substantially increased the reported cost per resident.
- 4.5 All care home operators were sent a letter on 22 September explaining in detail the areas in which officers were considering making general adjustments to the figures which had been submitted (in addition to revisions already made by agreement with providers to specific figures in individual returns). Responses were requested by 30

September, and will be considered and if necessary discussed further with providers up to the point at which it is necessary to finalise the required submission to DHSC.

- 4.6 Because of the issues raised by the survey returns, most of which appear to be common to most local authorities across the country, there have been continuing discussions with the Local Government Association (LGA), and the LGA has been in frequent communication with DHSC and with national care provider organisations. DHSC also received ahead of the national timetable the results of surveys carried out in "trailblazer" local authorities selected to pilot the charging reforms before they are rolled out nationally, and sent a further guidance note to all local authorities on 25 August spelling out more clearly than the original guidance that they expect local authorities "to use their best judgement on ensuring cost lines are not inflated or deflated, on account of COVID-19 expenditure and grant activity for example, but rather reflect the actual operating cost of delivering care."
- 4.7 Ideally, there would be a further period of discussions with care providers before any figures are submitted to DHSC, to ensure that there is as far as possible a shared understanding of what the figures mean and how realistic they are as a guide to the longer-term funding requirements to ensure that the sector remains viable following the implementation of the reforms. However the timetable set by DHSC makes it necessary for officers to submit by 14 October the most realistic figures which they are able to arrive at. The submission will include an explanation of the main areas of uncertainty, and will make it clear that further work may lead to the conclusion that the adjusted indicative figures from the survey are either lower or higher than the fee levels likely to be required when the charging reforms have been fully implemented.
- 4.8 These figures will not commit the Council to any particular longer-term fee levels. DHSC guidance says that local authorities will be expected to "move towards" paying on average the fee levels reported as a result of this exercise, but does not require authorities to commit to reaching that level within the period covered by projections in the 2021/25 spending review. Guidance is clear that the "fair cost of care" figures produced by this exercise are not intended to define what any specific care provider is entitled to be paid, spelling out that "as many local authorities move towards paying the fair cost of care, it is expected that actual fee rates paid may differ due to such factors as rurality, personalisation of care, quality of provision and wider market circumstances".
- 4.9 Along with the figures derived from the survey, and the accompanying explanation, the Council is required to submit to DHSC a provisional "Market Sustainability Plan", setting out its strategy for fee levels over the next three years. Our understanding is that this is intended to assist DHSC in assessing how prepared local authorities are for the reforms, and what issues may need to be resolved. A final version of the plan is required only by February 2023, after local authority funding allocations have been announced. This will also draw on further discussions with providers locally.
- 4.10 The Government's current announced intention is that there will be further larger grants allocated to local authorities in 2023/4 and 2024/5 to support increases to fees. However the Government has not yet announced how those future grants will be allocated. Nationally the grant paid in 2022/3 totals £162m, and the planned grant payments in 2023/4 and 2024/5 total £600m in each year, but the government's intention appears to be that the larger sums in the next two financial

years will be allocated after considering the outcomes of the "fair cost" surveys. Since the costs of reducing the "cross subsidy" between private payers and publicly funded residents can be expected to fall most heavily on local authorities in more affluent regions of the country, because they will include the highest proportion of homes currently accommodating private payers, it seems reasonable to assume that the share of the grant in 2023/4 and 2024/5 received by local authorities in the North East is likely to be lower than the share of the grant in 2022/3, which has been allocated according to the current standard adult social care funding formula.

- 4.11 The Office for National Statistics (ONS) estimates that 23.7% of care home residents in Northumberland are self funders, compared to an English average of 34.9%, and figures for some local authorities, such as Dorset, Oxfordshire, Bromley and York which exceed 50%⁴.
- 4.12 It is not currently clear how well the profile of the grant funding proposed for 2023/4 and 2024/5 will align with the timing of potential financial impacts on care providers. In particular, it is not obvious why the grant funding level is the same in the two financial years, when the reforms are planned to begin halfway through the first of those years, and it is unclear whether the decision announced in July this year to defer the entitlement of existing care home residents to ask the local authority to make contractual arrangements for them will lead to a revision to the profile of the funding.

5. Home care

- 5.1 The grant conditions for the Fund require local authorities to survey homecare providers as well as the operators of care homes for older people. The survey of home care providers has been carried out only by Council officers, because of the simpler issues involved. In principle, there is no reason to expect that the charging reforms will have a significant financial impact on home care providers, but the grant guidance emphasises government concerns about the viability of home care services, and currently home care is the sector in which workforce shortages are having the most serious impact.
- 5.2 Work is still in progress on analysing the survey returns from homecare providers. All of the "tier 1" home care providers selected as the first point of call when services are needed in specific areas of the county have returned the survey, though in one case the information supplied was at the time of writing this report still incomplete. The return rate from smaller providers has been disappointing, though we understand that low return rates from home care agencies are not uncommon nationally. In general, the picture appears to be that larger homecare providers are under some financial pressure, but this may be largely because of the difficulties over the past year of recruiting and retaining care workers, as a result of which providers have found that they are unable to take on the planned level of work, and therefore are not fully covering the cost of their organisational overheads. Smaller providers have reported varying cost levels, which in some cases reflect an intention to target their service primarily on private payers who are willing to pay extra for a

⁴ The full statistics are available at www.tinyurl.com/SelfFundersMay22

service which provide a higher level of support than the council is able or required to fund.

- 5.3 While there are some of the same reasons for caution in interpreting the survey returns for home care as for care homes, it is clearer in the case of home care that there is an urgent need for further support to the sector, not primarily based on current actual costs of providing the service, but on the serious deterioration in the council's ability to arrange home care for people who need it, which is currently making it necessary in many cases to meet people's needs in ways which do less to help them maintain their independence or to support their family carers than we would ordinarily expect, and are also often more expensive than homecare. Increasingly often it has been necessary to support older people following hospital discharge by arranging a temporary care home placement, when it would clearly be better to be able to support them in their own homes. In recent months two homecare organisations have decided to cease to operate in Northumberland.

6. Use of the grant

- 6.1 For the reasons explained above, officers' view is that it would be premature to adopt a firm strategy for future fee increases at this point. It is clear that the care services which the grant can be used to support are experiencing a range of exceptional financial and other pressures, which have been causing severe problems in supporting people who need home care over the past year, and are also having an impact on care homes for older people, but it is not in general clear which of these problems will be lasting and which are temporary consequences of the pandemic and the war in Ukraine. Nor is it clear how good a guide the results of the "fair cost of care" surveys are to the longer term funding needs of the care sector. Providers have told us that they believe there is a need for further exploration of those issues, and officers' recommendation is that the Council should in general avoid making long-term commitments until there has been time for fuller discussions.
- 6.2 In the case of home care services, while the current problems in the sector are much more severe than at any previous time, there were significant issues about the capacity of the sector before Covid, particularly in rural Northumberland, and it seems clear that the pandemic has accelerated the impact of longer-term trends rather than introducing new problems which might prove to be merely temporary. Demographic change in rural areas has over a long period been making it more difficult to secure a local care workforce able to support increasing numbers of older people with care needs. The mileage support scheme previously agreed by the Cabinet on 21 September could not realistically be introduced as a purely short-term measure, since the impact of ending it once started would be likely to be highly damaging in the rural areas where care workers need to drive significant distances

between visits – but in officers' judgement this is an area in which long-term additional support is called for.

- 6.3 Apart from this scheme, officers' recommendation is that the grant is used to provide additional financial support to both of the care sectors within the scope of the Fund on a temporary basis, to reflect the range of pressures which providers are facing.
- 6.4 These pressures include inflation – particularly energy cost inflation – but the proposal is not to make a specific adjustment to fees based on inflation indexes. The Council's approach to fees is based on an annual inflation uplift which takes into account published inflation data in a month shortly before the start of the financial year. This is standard practice, and in the long term means that increases in the costs faced by care providers will be covered by increased fees. If inflation during a year is higher than the percentage uplift for inflation in April, providers will have a reduced income in real terms during that year; if it is lower than the uplift in April they will have a higher real terms income – in the long run these two effects will balance out. However exceptionally rapid changes in costs are likely to cause some financial difficulties for care providers, even if their long-term average income rises in line with long-term cost increases. Other temporary financial pressures include reduced occupancy in some care homes and increased recruitment and agency staff costs in the current state of the labour market.
- 6.5 Neither the survey results nor any other available data makes it possible to arrive at a precise assessment of the impact on providers of all of these factors – and the scale of the impact is also likely to vary between different providers within the same sector, for a variety of reasons. Officers' recommendation is therefore that the remaining grant funding is used to support a simple standard percentage uplift to fees in the two sectors. This will not be consolidated into base fee levels; the need for longer term changes will be considered in discussion with providers over the coming months.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy	The "fair cost of care" surveys are one element of the national charging reform policy. The specific proposals for use of the grant in 2022/23 are intended to address immediate current pressures in Northumberland.
Finance and value for money	No immediate financial commitments are proposed other than those required by grant conditions, and the policy already adopted by Cabinet on 21 September of funding homecare providers to pay increased mileage rates.
Legal	The Local Government Association circulated on 29 September counsel's advice about some aspects of this process, and the proposed approach appears to be in line with this.

Procurement	The contracts for care homes for older people and for home care service are frameworks which any qualified provider is able to join.
Human Resources	No direct implications.
Property	No implications identified.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	The proposed use of the grant is expected mainly to benefit disabled people in need of care and support. Positive steps which improve support for disabled people more than for the remainder of the population are permitted by equality legislation.
Risk Assessment	Risk registers will be maintained for all aspects of the charging reforms.
Crime & Disorder	No implications identified.
Customer Considerations	The proposed use of the grant includes a specific focus on the group of service users who are currently receiving the least satisfactory service, because of workforce issues in homecare.
Carbon reduction	While it is possible that the council's current reduced ability to arrange home care visits is leading to some reduction in carbon dioxide emissions, this is a situation which it is impossible to recommend that the Council should aim to continue.
Health and wellbeing	The proposals aim to maintain services which are crucial for the health and well-being of some of the county's most vulnerable residents.
Wards	All

BACKGROUND PAPERS

There are no background documents for this report within the meaning of the Local Government (Access to Information) Act 1985.

Report sign off.

Authors must ensure that officers and members have agreed the content of the report.

	Full name of officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Executive Director	Neil Bradley

Chief Executive	Rick O'Farrell
Portfolio Holder(s)	Wendy Pattison

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