



# Northumberland

## County Council

### CABINET

Date: 9 May 2023

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### The Market Sustainability and Improvement Fund 2023/24

Report of Councillor Wendy Pattison, Portfolio Holder for Adult Wellbeing

Executive Director: Neil Bradley – Adults, Ageing and Wellbeing

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#### **Purpose of report**

The report makes proposals for the allocation in 2023/24 of a Government grant for adult social care. Urgent approval of a broad approach to the use of this grant is required to comply with a grant condition requiring submission of proposals by 24 May.

#### **Recommendations**

**Cabinet is recommended:**

- 1. To approve the proposed uses of the Market Sustainability and Improvement Fund (MSIF) in 2023/24 set out in this report, and the resulting commitments in subsequent years, which it is anticipated can be funded through the increased MSIF grant in 2024/25 and will be covered in later years either by continuation of this grant or by consolidation of the funding into the general local government financial settlement;**
- 2. To authorise the Executive Director – Adults, Ageing and Well-Being, in consultation with the Portfolio Holder for Adult Well-being, to make detailed decisions about the allocation of this grant, within the broad framework set out in this report, taking account of further consultations with care providers and any other relevant information which becomes available.**

#### **Link to Key Priorities of the Corporate Plan**

#### **Tackling inequalities**

The recommendations aim to address current issues which prevent the Council from arranging care and support needed by disabled people in a timely way. They will also increase the incomes and status of care workers who are currently low paid.

## **Encouraging growth**

Grant expenditure will be on locally-based services whose workers are likely to live in Northumberland

## **Best Value**

The proposed approach is designed to ensure that maximum benefits for people in need of care and support are achieved from the grant funding.

## **Key issues**

1. The MSIF is a Government grant of £3.563m in 2023/24, which is expected to increase to £5.357m in 2024/25 if the basis of allocation between local authorities remains the same, though only the total national value of the grant in that year has so far been announced. It is funding which was initially included in national spending plans to support the adult social care charging reforms that were scheduled to be introduced from October 2023, but which has now been made available to help local authorities meet current pressures, following the decision to defer the charging reforms.
2. The main purpose of the grant is to enable local authorities to make tangible improvements to adult social care, in particular to increase social care capacity in three ways: reducing social care waiting times, increasing fee rates, and increasing workforce capacity and retention. One of the conditions attached to the grant was a requirement to submit a return to the Department of Health and Social Care by 24 May, indicating at least in broad terms how the local authority intends to use the funding.
3. Part of the grant (£1.027m) is specifically intended to cover the costs of continuation of fee increases introduced from a previous grant paid in 2022/23. The £620K full-year cost of the scheme introduced last autumn to fund improved mileage payments to home care workers will be charged against that element.
4. Plans for the use of the new element of the grant must include selecting at least one of the three areas of improvement listed in the statement of its purpose as a specific target, which the Council will be required to report progress against. Since the three objectives are intertwined, the recommended approach is to identify as the target for reporting purposes increases to fees, which are the simplest indicator to measure, though the purpose of these increases will be to reduce waiting lists and waiting times, in particular by increasing workforce capacity.
5. While all adult social care services are currently experiencing some significant pressures, by far the most concerning current problem with the capacity of services is in home care, with the number of people waiting for a service which they have been assessed as needing having been at an unprecedentedly high level since the summer of 2021. While this may in part be attributable to the specific circumstances of the period since the Covid pandemic, it also represents an abrupt acceleration of a longer-term trend.
6. Home care providers report that measures previously adopted by the council have had some positive impact on recruitment and retention of care workers, particularly during

periods when early introduction of increased rates of pay has created for a period a substantial margin above the National Living Wage. There has also recently been a modest reduction in the number of people waiting for a home care service, which appears to be attributable in part to changes in immigration regulations which have made it easier to recruit care workers from overseas. However it appears unlikely that current capacity problems can be resolved without a substantial further initiative to make working in home care more attractive. The MSIF provides an opportunity to launch such an initiative, and it is recommended that £2.0m of the 2023/24 grant is allocated to support that.

7. Of this sum, it is recommended that £1.5m is allocated to support an immediate increase in the minimum sum paid to home care workers, over and above the increase previously agreed, to a level of £12.00 per hour, to be introduced from 1 July 2023, establishing a differential above the “Real Living Wage” rate available to care workers in all services in Northumberland whose providers have signed up to the Council’s Wage Support Scheme, and that a further £500K is provisionally allocated to fund the introduction of a “Northumberland Home Care Worker Guarantee” to be implemented from 1 October 2023, details of which will be developed in consultation with home care providers. Assuming that both elements of the scheme are carried forward pro-rata into 2024/5, additional costs in that year would be of the order of £1m, out of expected additional grant of £1.794m.
8. Evidence from the “fair cost of care” survey carried out in 2022 suggests that the proportion of the costs of care homes for older people which is linked to energy prices is significantly above the weighting for these used in the general inflation index provided for in the contract, and that there may also be some pressures from cost increases for food and inflation which are not reflected in the index used in the contract. The scale of any funding to meet these pressures is a matter of judgement, with significant variations between care homes, and some forecasts suggesting that energy costs may fall later this year. Long-term changes to the inflation mechanisms in the contract are not recommended until consultations have taken place about the new three-year contract due to begin in April 2024, but in the meantime it is recommended that MSIF grant be used to fund a one-year increase of 1.5% to the fees paid to care homes in Northumberland, at an estimated cost of £770K, over and above the inflation increase already provided for in the Council’s budget, backdated to 1 April 2023.
9. Fee increases funded through the MSIF are also expected in most local authority areas outside Northumberland, and in line with standard practice the Council will match these for older people from Northumberland placed in care homes outside the County. A pro-rata allocation of £75K to the commissioning budget is recommended to fund this cost.
10. Finally, it is recommended that a contingency sum of £98K be held back initially to address any further cost pressures experienced by providers during what may be another unpredictable year. In the worst case, this could include emergency assistance to a provider at risk of closure because of short-term financial pressures, though this would be relevant only in extreme circumstances. The Council’s current contract with care homes for older people includes specific provisions about emergency assistance.

# The Market Sustainability and Improvement Fund 2023/24

## BACKGROUND

### 1. Introduction

- 1.1 The Cabinet has received previous reports discussing the serious problems which commissioned adult social care service providers have faced in the period since the end of Covid-related restrictions in the summer of 2021.
- 1.2 The primary issue has been difficulties faced by many providers in recruiting and retaining care workers and some other categories of staff such as nurses. This is part of a wider issue about labour shortages affecting many sectors of the economy, though there were also some particular issues in the care sector, including the effect on care providers of expanded opportunities to work for NHS organisations at a time when the NHS is aiming to increase capacity to catch up with the treatment backlog in the aftermath of the pandemic.
- 1.3 There are also some specific issues about the impact of rising costs, with evidence that the standard inflation formula used in the Council's contract does not fully reflect the impact, particularly on care homes for older people, of some cost pressures, including increased energy costs as a result of the war in Ukraine.
- 1.4 One area of uncertainty is whether there is still a need to consider the potential impact of the adult social care charging reforms announced by the Government in 2021. There is some reason to think that if those reforms, which have now been deferred to October 2025 instead of the previous state of October 2023, would require some further changes to the fees that the council pays to care homes for older people, because of the complicated potential impacts of the proposed changes on the relationship between public sector fees and those paid by private care home residents. Our initial analysis suggests that there might be a particular issue about care homes in rural areas where the local population may be sufficient to sustain only one home, and which currently accommodate a mix of publicly funded and private residents.
- 1.5 Our understanding is that the "fair cost of care" survey of care home costs which local authorities were required to carry out in 2022 was designed to assess the potential increase in average fee levels which might be made necessary by the charging reforms. Officers' view is that the design of that survey made it difficult to draw any clear conclusions about what that impact might be, and which care homes might be most affected. It has been argued by some care home providers that the survey provides evidence that there should be a general increase in fees even in the absence of the charging reforms, but as previous reports have explained, officers' assessment is that the evidence about that is unclear.
- 1.6 DHSC guidance on the use of the MSIF does not clearly address the question of whether the grant funding is intended to support preparations for an October 2025 implementation of the charging reforms. Since the funding that was intended to pay

for the direct costs of those reforms has been reallocated to provide more general support for the care sector through the MSIF, it seems reasonable to await further guidance before using the grant funding specifically to prepare for judging reform implementation, and to work on the basis that the main issue is now the capacity of care services to meet needs within the existing statutory framework.

## **2. Support for home care**

2.1 In discussions with providers about the reasons for their continuing difficulties with recruitment and retention, a number of issues have repeatedly been raised, which appear consistent with information from other sources:

- a) While the increases in wage levels for care workers which the Council has funded have been welcome and helpful, their effect has largely been to enable home care providers to avoid falling further behind pay rates for comparable work in other sectors rather than to make working in home care positively financially attractive.
- b) At a time when care services are competing for a limited number of available workers, home care providers are at a disadvantage because the work they are offering is less predictable in its time commitments and may not offer a reliable income if paid work reduces unpredictably when a service user does not need support (for instance because they are in hospital). Some providers told us they are increasingly employing people on a shift basis, to make care workers' hours and income more predictable, though there is a tension between this and the unpredictability of people's care and support needs. Some workers do positively prefer not to have a fixed schedule, but others are attracted away from home care by alternative work which can offer that.

### **The case for consistency between care providers**

2.2 The simplest way to provide additional financial support to care providers would be to increase the rate paid per planned hour of care, and leave it up to each provider to decide how best to use the funding to recruit and retain more workers. However we have been told by some home care providers that there are disadvantages to that approach:

- a) Some providers have told us that in their experience care workers have been easily attracted to alternative home care services which appear to offer slightly better rates of pay, and that comparisons are not always easy for care workers to make because headline rates of pay don't always reflect the actual pay level for total hours worked – for instance differences in how pay for travel time is calculated may more than offset differences in the advertised rate per hour spent actually providing care.
- b) It has also been put to us that the overall home care workforce suffers if some people's first experience of working in home care is a negative one – for instance because they are repeatedly asked to take on more work than they can comfortably manage, or have frequent disruptive changes to their schedule at short notice. After experiences of this kind, it has been suggested, people are

unlikely to consider working in home care again.

- c) Some providers think that the support that has been offered by the Council is not widely enough known about, and that home care would benefit from a Council-sponsored campaign giving a consistent message about the improved terms now available to home care workers, which might attract back into the sector some people who have left it.

- 2.3 At a meeting on 21 April attended by managers from 22 home care providers, almost all of those present supported a suggestion that the Council should, in consultation with providers, develop a set of standards for agencies in Northumberland employing home care workers, and an assurance scheme for monitoring that the standards are being met. Providers could be required to sign up to this scheme as a condition for some of the additional grant funding, and the standards could be described as a guarantee to care workers which could form the basis of a publicity campaign about how home care work has changed and its status has improved.

### **The proposed approach**

- 2.4 The proposed page is in two stages:

- a) With effect from 1 July, additional funding specifically for visit-based home care, increasing the rate paid for planned hours in return for a commitment to further increase the wages paid to home care workers from the Real Living Wage rate currently set at £10.90 per hour to a new rate of £12 per hour. This would establish a differential compared to the statutory National Living Wage of over £1.50 per hour. A differential on that scale was being paid between December and March this year, supported through grant funding from the Adult Social Care Discharge Fund, and we have been told that during that period there was perceived to be a significant increase in the number of people applying to work in home care, which reduced from 1 April when the differential returned to a lower level (currently the Real Living Wage rate is 48p per hour above the National Living Wage).
- b) A set of standards for employers of home care workers within Northumberland would be developed in consultation with home care providers, with the aim of implementing it from 1 October. The expectation would be that this would include some commitments, for instance about greater stability of income and possibly pay increases for staff continuing in the role for more than a specified period, which would give rise to additional costs for providers. It is proposed to allocate a provisional sum of £500K in the current year (£1.0m in a full year) to meet these additional costs. Assurance arrangements would be introduced at the same time, and there would be a publicity campaign to bring the new standards to the attention of existing and potential future care workers.

## **3. Care homes for older people**

- 3.1 As explained above, the “fair cost care” survey carried out in 2022 because of a national requirement did not produce clear evidence of a gap between average

current Council fees paid to care homes for older people and the median figures from the survey returns for care home costs during 2021/22, though the design of the survey and the nature of the returns received left room for different interpretations of some elements of the calculation. However the information collected did support the view that the inflation index currently used in the Council's contract is likely to be understating the cost increases which providers are facing because of increases in energy, food and insurance costs, though these may be partly offset by lower increases in some other costs.

- 3.2 The Council contracts with care homes for older people on the basis of three-year contracts, and the current contract is due to end at the end of March 2024. For that reason, and because the issues involved are complex and call for careful consultation with all affected providers, it is not suggested that a revised inflation index be introduced before the start of the new contract in 2024. However the MSIF provides an opportunity to introduce a one-year increase to the fees paid to care homes for older people during 2023/24, in recognition of the likelihood that many homes are facing some financial pressure because of the specific balance of costs which they incur. An increase of 1.5% is proposed. There would be no guarantee that this increase would continue after March 2024, or that if an increase was agreed from April 2024 it would be on the same basis, but the manner in which inflation increases are calculated would be one of the issues on which care home operators would be consulted during the period leading up to the new three-year contract.
- 3.3 A specific concern raised by care homes is that it has become increasingly difficult to recruit and retain nurses to make it possible to provide nursing care. Within Northumberland and elsewhere in the region some care homes which formerly provided nursing care have ceased to do so. At the same time, for reasons which are not entirely clear, there has been a reduction in the number of people assessed by the NHS as needing nursing care in care homes.
- 3.4 This is not primarily an issue for local authorities, which are prohibited by law from paying for care which has to be delivered by a registered nurse. However it clearly affects the ability of the local authority to make arrangements for older people with complex needs, and to support the local NHS where people require nursing home care after they leave hospital. Officers are in ongoing discussion with the North East and North Cumbria Integrated Care Board about this issue, and will review during discussions about the new contract whether there are any measures which the local authority could take within the legal limits to its responsibilities.

## **4. Contingency funding**

- 4.1 Unlike the grant funding made available in 2022/23 to support the care market, the MSIF is not limited to supporting fee increases in home care services and care homes for older people. However these two sectors still appear to be those in most need of additional financial support, and the proposals above would allocate most of the grant to them. However it is proposed to allocate part of the grant to a contingency fund available for use to address any concerning issues which may develop during the year affecting any care service. This could potentially include

support for services whose sustainability is at risk because of short-term financial pressures.

- 4.2 One potential use of this funding may be to increase the premium currently paid to care homes for older people in Northumberland to recognise the additional staffing resources required if they agree to accommodate older residents with dementia whose condition causes them to behave in ways which create serious risks to themselves, other residents, or staff. It may alternatively be possible to fund this using a separate grant to support discharges from hospital, since residents in this category can be some of the most difficult to find suitable accommodation for after an episode of hospital treatment. However the Government's expectations for the use of that grant have not yet been fully clarified.

## 5. Summary

- 5.1 The table below summarises the proposed allocation of the 2023/24 MSIF, and the projected full year costs to be charged against the increased grant expected to be available in 2024/25.

	<b>Sector</b>	<b>Current year cost</b>	<b>Additional full-year cost</b>
Mileage support scheme*	Home care	£620K	-
Increase to Wage Support Scheme hourly rate to £12.00*	Home care	£1,500K	£500K
Guaranteed standards scheme for home care workers	Home care	£500K	£500K
One-year fee increase of 1.5%	Care homes for older people	£770K	-
Fee increases for out of area placements	Any	£75k	Unknown
Contingency	Any	£98K	
<b>Totals</b>		<b>£3,563K</b>	<b>£1,000K</b>

\* The grant conditions specify that at least £1.027m of the grant "must be used to continue to support the progress local authorities and providers have already made in 2022-23 on increasing fee rates to move towards paying a fair cost of care", explaining this as meaning that it must be used "to maintain fee uplifts originally made as part of the 2022/23 Market Sustainability and Fair Cost of Care Fund". Accompanying guidance says that "This should be achieved through sustained fee rate increases as opposed to non-recurrent fee uplifts". There are some difficulties in interpreting how these expectations are expected to be met in Northumberland, since more than half of the 2022/23 grant was used to fund temporary enhancements to fees during the second half of that year (which the conditions for that grant appeared to



permit). However the Mileage Support Scheme introduced for home care was identified as a long-term change to fees, and its full-year effect therefore clearly complies with the grant conditions and guidance. Since the recommended increase in the Wage Support Scheme hourly rate for home care is intended to be a sustained fee rate increase, it is suggested that the most reasonable way to apply the guidance and conditions to the situation in Northumberland is to regard that as making up the remainder of the expenditure on maintaining 2022/23 fee increases.

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy</b>	The MSIF consists of funding which was originally announced as support for the Government’s charging reform policy; its revised purpose is a more basic one of ensuring that care services are sustainably funded and have sufficient capacity to meet assess needs.
<b>Finance and value for money</b>	All commitments proposed in this report can be met within the Council’s allocation of MSIF funding for 2023/24, and their full year effects can be met within any likely allocation of the grant for 2024/25, with a comfortable margin. The assumption has been made that equivalent funding will continue to be available in subsequent years.
<b>Legal</b>	<p>Section 5 of the Care Act (2014) sets out duties on local authorities to facilitate a diverse, sustainable high quality market for their whole local population, including those who pay for their own care and to promote efficient and effective operation of the adult care and support market as a whole. Alongside this, the Council has a critical role in local market shaping to encourage quality, choice and sufficiency of provision.</p> <p>The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 confirm that the matters within this report are not functions reserved to Full Council</p>
<b>Procurement</b>	The proposals in this report would be implemented through variations to the Council’s existing contracts for home care and for care homes for older people, both of which are open to any qualified provider.

<b>Human Resources</b>	Some additional staffing capacity may be to implement the proposed assurance arrangements for the treatment of home care workers. This will be assessed as details of the arrangements are developed.
<b>Property</b>	No implications have been identified
<b>Equalities</b> (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	The proposals are designed to increase the capacity of care services to meet the assessed needs of people with a disability or illness. They are expected to have positive consequences for disabled people; other impacts linked to protected characteristics are more difficult to assess, though we know that the home care workforce is disproportionately female. A full impact assessment would not be expected to identify significant further issues.
<b>Risk Assessment</b>	A full risk assessment is not required.
<b>Crime &amp; Disorder</b>	No implications have been identified
<b>Customer Considerations</b>	Current capacity issues in home care are leading to a situation in which a substantial number of people with care and support needs, and their families, partners or other carers, are having to put up with unsatisfactory support arrangements which they would not have chosen.
<b>Carbon reduction</b>	Discussions with care home providers about future contractual arrangements will include consideration of the scope for improved insulation or other measures which will reduce carbon costs. However in the short-term higher energy costs are an unavoidable cost pressure because of the needs of older people who require care home accommodation
<b>Health and wellbeing</b>	Ensuring that care services have sufficient capacity to meet needs is important both for the health and well-being of service users and the efficient use of hospitals.
<b>Wards</b>	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.*

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