

# Market Sustainability Plan

March 2023

## Bath and North East Somerset Council (B&NES)

Annex C

---

**Bath & North East  
Somerset Council**

---

Improving People's Lives



**Bold**



**Empowered**



**Supportive**



**Transparent**

# Market Sustainability Plan - Bath and North East Somerset Council (B&NES)

## Introduction

This is B&NES Council's Market Sustainability Plan (MSP) written In March 2023. It sits alongside our [Market Position Statement](#) (MPS) that we are also required to also have in place. Our MPS is just coming to a close, so this is a good opportunity to set out the key principles that will feature in the revised MPS in 2023.

In this document following the headings set out in the national MSP guidance<sup>1</sup> we will:

- Give a picture of our current understanding of the market
- Identify some of the key issues and challenges
- Identify some intentions and plans to support and develop the market

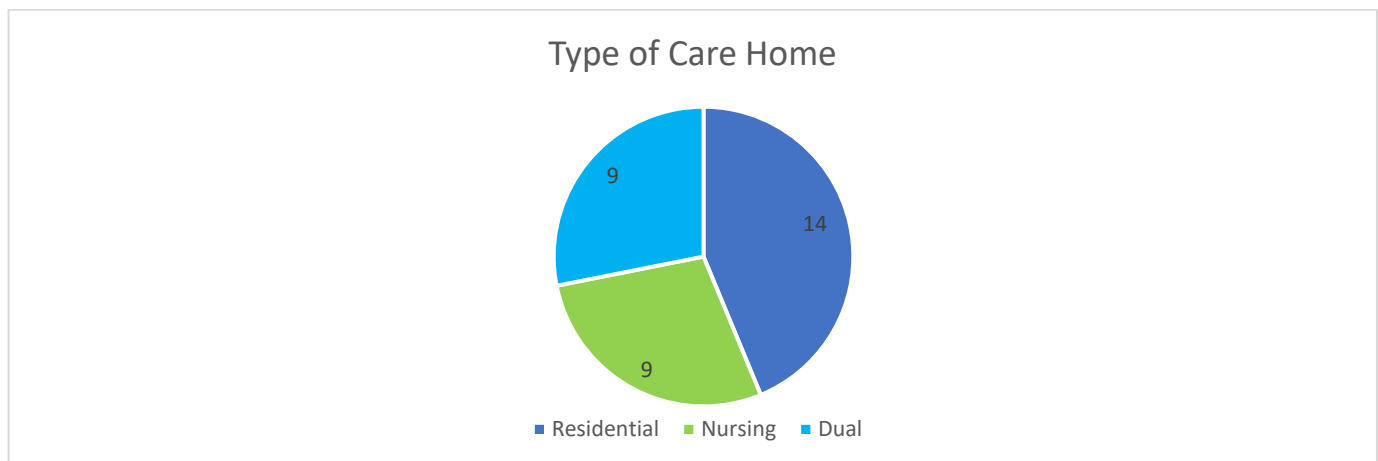
We would like to thank all providers, Red Quadrant and Valuing Care who were able to help create and join us for discussions regarding this MSP and we will look forward to continuing these discussions as we refresh the MPS.

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

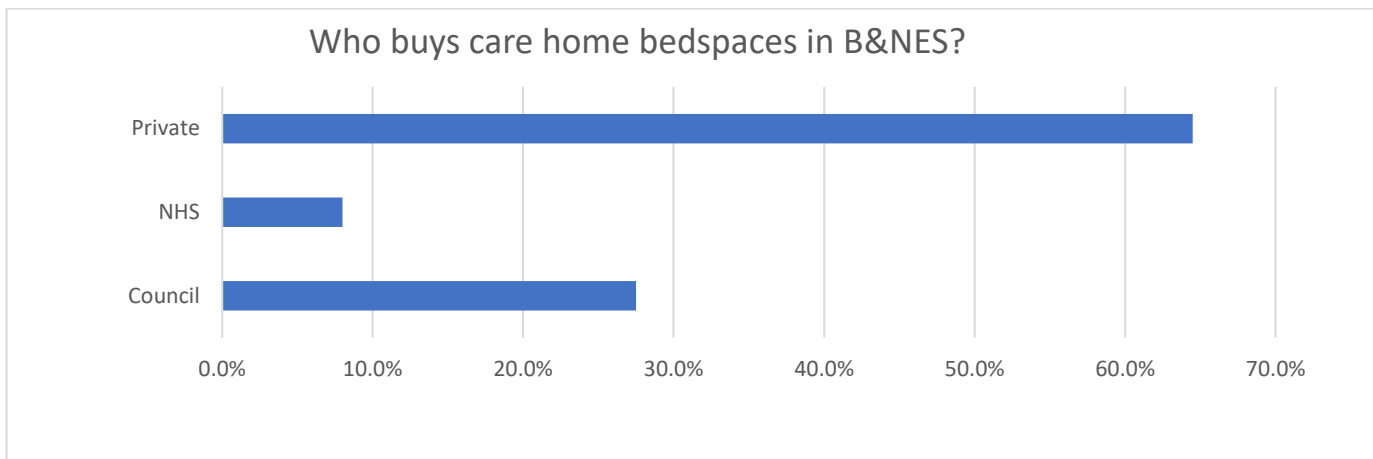
### *Assessment of current sustainability of the 65+ care home market*

#### *Sufficiency of supply:*

B&NES currently has 1,162 care home bedspaces for older people in 32 homes with split of residential and nursing homes as shown in the charts below. Most care home beds are bought by private funders.



<sup>1</sup> <https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance>



At a macro level, there is **currently** just about sufficient supply to ensure continuity of care for Council-funded clients. However, the system is under pressure:

- Vacancy rates have declined significantly and are expected to remain low: pre-pandemic rates were around 10% but available vacancies are typically 1 - 2% on any given day
- There is high demand for Council funded care home placements. A significant proportion of people who enter care homes now come through the Discharge to Assess (D2A<sup>2</sup>) or Intermediate care route. That is, they have been in a hospital setting and are then offered intermediate care in a Care home prior to making a decision about long term care. This can also be done as avoidance of admission to a hospital setting. The Care Act 2014 allows for this to be a period of up to 6 weeks, but with limited access to onwads beds and capacity amongst social workers who complete the Care Act assessments, this intermediate period is on average 56 days<sup>3</sup>
- Demand for Council funded care beds has been increasing since at least early 2021 following a significant drop at the peak of the Covid pandemic
- The Council purchases more nursing home bedspaces than national and regional comparators, although less residential home beds<sup>4</sup> (and lower numbers of 65+ supported in all settings compared to national average)<sup>5</sup>
- The picture for self-funders is unclear: there is no indication that demand from self-funders exceeds available local supply, but overall demand is increasing, and private providers are investing locally to service this market
- This macro picture conceals substantial geographic variation. Although supply in Bath, Keynsham and Norton is adequate, there is limited supply in East Somerset and very limited provision in rural areas (e.g. Chew Valley (see [map](#)).
- National providers have a limited presence (six homes), with the remainder being run by a small number of regional/local providers. One provider has seven homes, the remainder being run by small providers and the Council (106 bedspaces).
- There are limited alternatives to care homes (and home care). Although there are 140 extra care beds in the locality there is a waiting list for places in these schemes.
- Provider costs are under pressure (see below) and contribute to market fragility. Thus, the current inflationary pressures will only increase this fragility.

### ***Diversity in the market:***

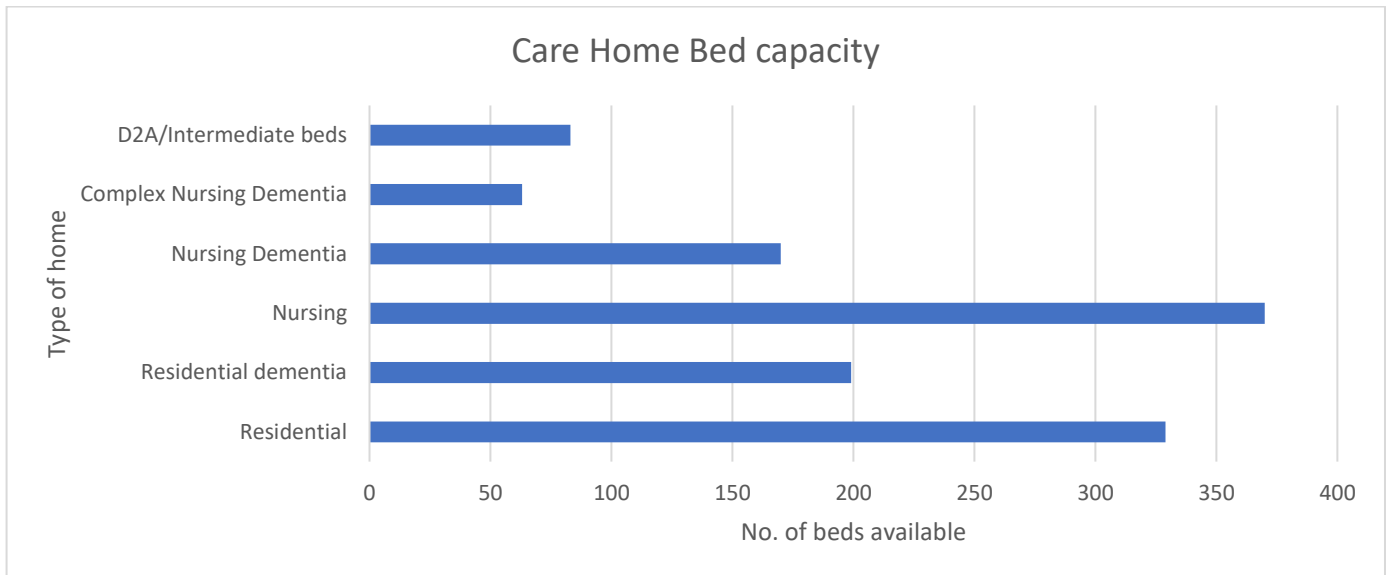
The split of residential and nursing provision is shown below as of March 2023:

<sup>2</sup> <https://www.nhs.uk/nhsengland/keogh-review/documents/quick-guides/quick-guide-discharge-to-access.pdf>

<sup>3</sup> March 2023

<sup>4</sup> SALT returns

<sup>5</sup> [JSNA](#)

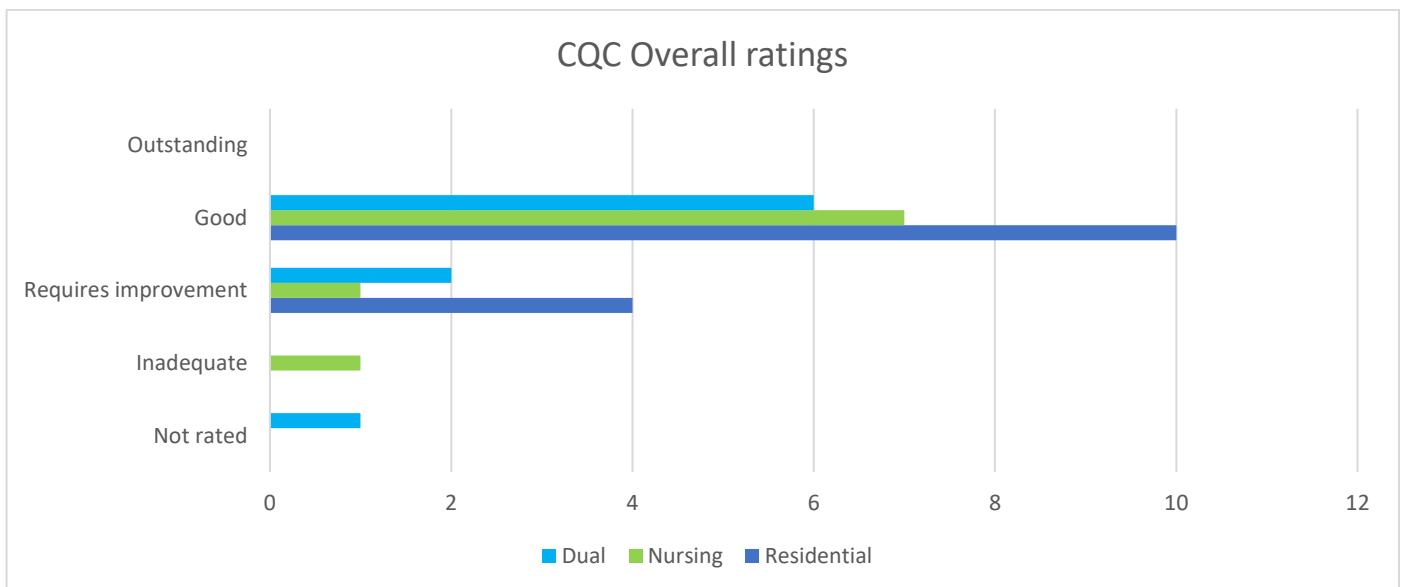


Residential bedspace supply is adequate. However, there is a shortfall in nursing provision, particularly nursing provision for people with dementia: although there are 616 nursing bedspaces, only 225 of these are for people with dementia, of which 64 are for people with complex dementia needs, impacting on people being discharged from hospital.

The Council and NHS use a Discharge to assess/Intermediate funding model where assessments take place once the individual is in the Intermediate bed. At 20/02/23 there were 29 people in Intermediate beds – those requiring reablement who may be able to return home - and 54 people in interim funded beds i.e. people who require long term care home provision.

**Service quality:**

Quality is generally good with CQC ratings as shown for March 2023:



**How services are purchased:**

- Care home beds are currently purchased on a spot basis.
- There is a framework agreement in place. The Council monitors homes and does not purchase from those where there is quality or safeguarding concerns unless these are being addressed.

### Fee rates:

- The [target fee rates](#) are built on a cost-of-care exercise undertaken in 2020 which is annually uplifted. However, the Council is frequently obliged to purchase at higher rates, given the great shortage of specific types of beds.
- Only a minority of bedspaces are purchased at cost-of-care rates, although the Council does prioritise those providers prepared to supply at agreed rates. The average rate paid is above the current target fee rates for residential and nursing provision.

The recent Cost of Care exercise<sup>6</sup>, based on costs reported from providers as part of the Build Back Better Programme, suggested higher rates than had previously been identified:

22/23	Current target fee rates	CoC rates Oct 2022	CoC rates 2023/4 built on October figures
Residential non-dementia	£719.40	£815.00	£963.00
Residential dementia	£746.75	£857.00	£963.00
Nursing non-dementia <sup>7</sup>	£707.26	£806.81	£944.81
Nursing dementia	£745.39	£855.81	£1,058.81

Further work is needed to clarify the difference between target fee and recent cost-of-care rates, but clearly the raised cost of living is a significant factor.

However, this is not the only factor: within the survey there are wide variations in staffing costs and other inputs, including cost of capital and return on investment. As report suggests “the relatively high expenditure reported in B&NES may reflect decisions by local care homes to provide higher levels of service to their customers,” perhaps driven largely by the expectations of private funders.

B&NES Council will be informed by the figures created through the Cost of Care exercise alongside other considerations, financial capacity and on-going engagement with providers.

### Workforce issues

There are considerable recruitment and turnover challenges, which make it difficult for providers to develop their workforce. Vacancy rates as shown below continue to be high<sup>8</sup>:

---

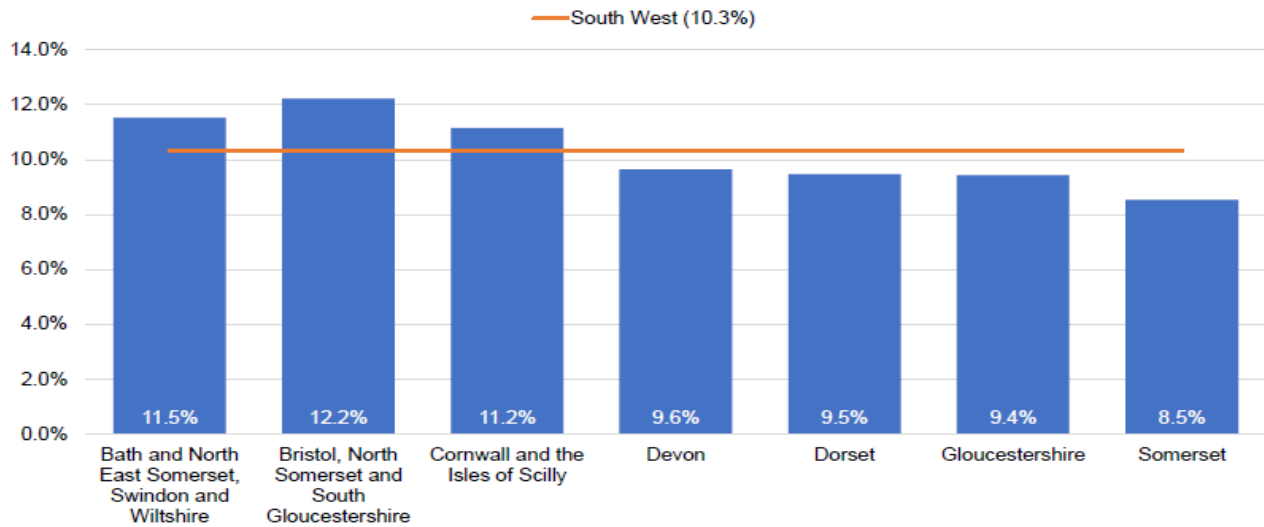
<sup>6</sup> <https://beta.bathnes.gov.uk/policy-and-documents-library/fair-cost-care-exercise> <https://beta.bathnes.gov.uk/policy-and-documents-library/fair-cost-care-exercise>

<sup>7</sup> (Nursing figures exclude FNC; benchmark rates defined by Valuing Care against their database of national and regional costs)

<sup>8</sup> <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx>



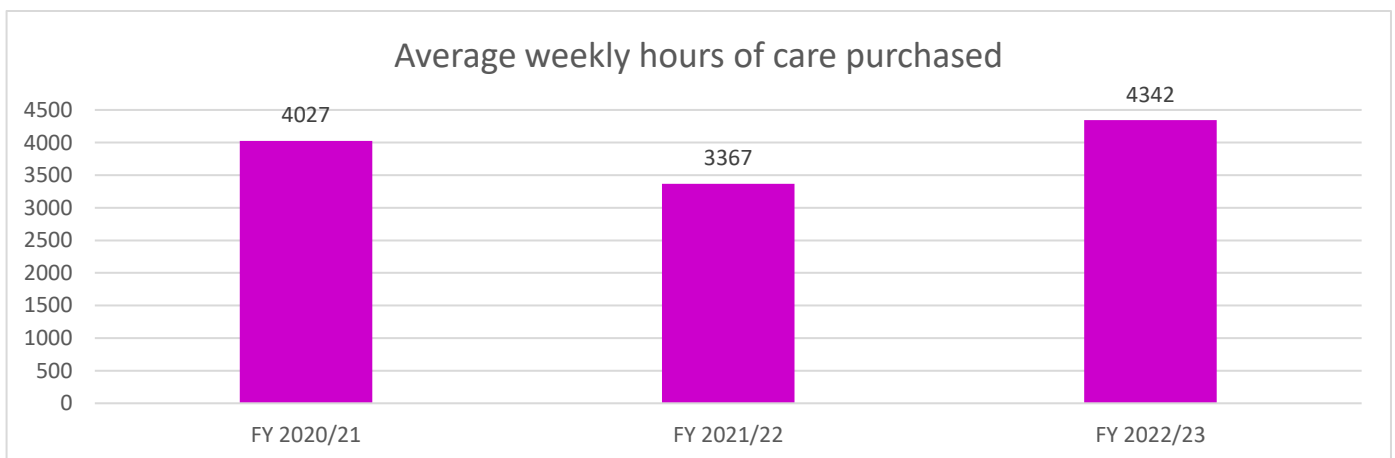
## South West Social Care – Vacancy Rate



- Turnover rates in 2021/22 were 31.4% for residential and 38.5% for nursing, representing significant challenges in the workforce which has continued into 2023/24
- The figures for nursing staff are extraordinary: a 38.5% vacancy rate with 74.3% turnover (up from 64.3% in 2020/21) – it seems to be near impossible to recruit qualified nursing staff in all settings
- There continues to be a reliance on agency staff, but some providers have managed this by reducing their bed base, meaning they require less staff. This has put pressure on supply.

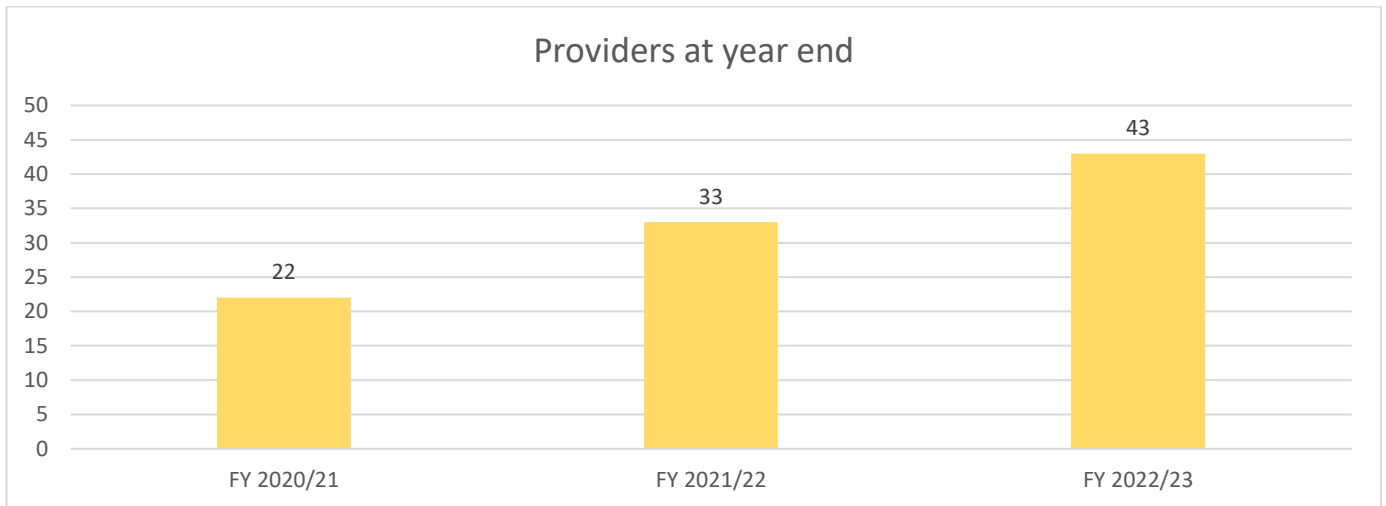
### Assessment of current sustainability of the 18+ domiciliary home care market

#### Sufficiency of supply:



The average number of hours of care purchased has varied over recent years

The decline in 21/22 reflects lack of capacity, rather than lack of demand but this has been largely remedied by new providers entering the market (see below)



The Council is currently purchasing around 5,000 weekly hours. Although supply in Bath, Keynsham and Norton is adequate, there is limited provision in rural areas (e.g., Chew Valley and Bath-Avon).

***Diversity of supply:***

- The Council generally procures from 15-20 active providers at any one time, with activity per provider ranging from 10 hours to 500 hours of care per week
- Most Council funded care is standard domiciliary care, with only a small number of waking, sleeping night and live-in care packages
- There are issues with sourcing more complex packages of care from the market – double-ups, 4 times a day and 2-hour visits etc.
- The Council currently ensures continuity of care and provision of more complex packages through United Care B&NES (UCB),<sup>9</sup> a new in-house service created jointly by the Council and Royal United Hospitals Bath NHS Foundation Trust (RUH)

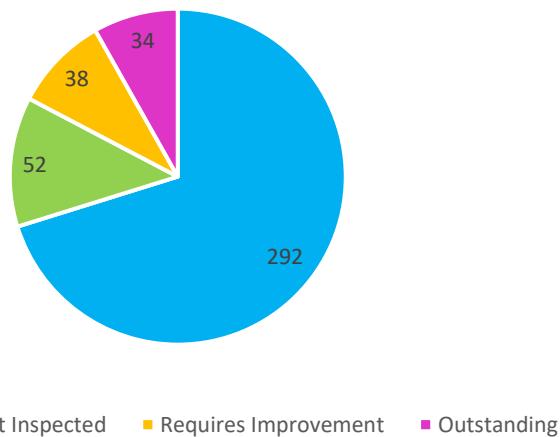
***Quality of services:***

Providers are reviewed regularly by the Council and there is an active risk-monitoring arrangement in place. Providers are RAG<sup>10</sup> rated with those assessed as Red being subject to a higher level scrutiny. Most providers are currently assessed as green. CQC assesses 33 of our 36 as either good or outstanding, with only three providers assessed as requiring improvement. Most service users are in good or outstanding services.

<sup>9</sup> UCB will also impact directly on NCTR waiting lists

<sup>10</sup> Red, Amber, Green

## Service Users by Provider Rating 28/02/23



### ***How services are purchased***

- There is a framework agreement in place for all packages post February 2020, with off-framework spot purchases for packages pre-February 2020
- Four block contracts are in place to increase total care provision, specifically 773 hours per week of D2A/Intermediate care and 400 hours of complex care
- There are 35 providers on the Framework. 5 providers who provide the off-framework SPOT. Block contracts are awarded as a Call-Off from the main Framework contract. Blocks can only be awarded to framework providers
- The council aims to commission 600 hours from UCB by October 2023.

Reablement services are provided under block contract with HCRG Care Group<sup>11</sup>. The service is currently facing recruitment challenges: this is making it difficult to achieve reablement targets, which, in turn, is having an adverse impact on the number of people waiting in hospital. To try and address this, the council has procured 773 additional D2A hours block together with 400 hours of spot intermediate care to support flow from our hospitals.

### ***Fee rates***

- The [target fee rates](#) are based on a cost-of-care exercise undertaken in 2020, uprated for inflation.
- However, the Council frequently purchases home care at higher rates than these: at any one time, only a minority of home care hours are purchased at framework rates, although the Council does prioritise those providers prepared to supply at agreed rates.
- The average hourly rate paid currently is above the target fee rate of £23.76.
- The recent Cost of Care cost of care exercise<sup>12</sup> suggested an indicative hourly rate of £25.78, higher than our target fee rate but lower than the average rate we actually pay.
- All three of these rates are higher than the Homecare Association's national minimum price of £23.20<sup>13</sup> or The Cost of care benchmark rate of £22.98: the difference is largely explained by the very high value reported for back-office costs
- Thus, our current rates appear to be very competitive: the number of new providers entering our market supports this. However, current inflationary pressures may change this.

<sup>11</sup> This contract concludes in March 2024

<sup>12</sup> <https://beta.bathnes.gov.uk/sites/default/files/2023-02/BANES%20Dom%20Care%20CoC%20Report%20Jan%202023%20v2.pdf>

<sup>13</sup> <https://www.homecareassociation.org.uk/resource/homecare-association-minimum-price-for-homecare-2022-2023.html>



### Workforce issues

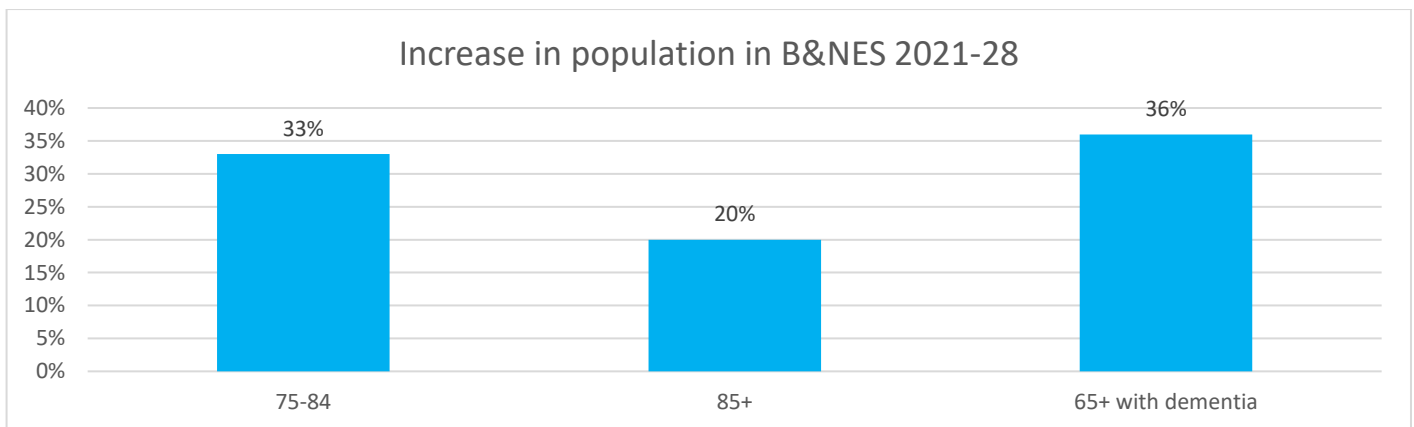
There have been substantial recruitment and turnover challenges, which have made it difficult for providers to meet council demands and to develop their workforce. However, new providers in the market (bringing in care workers from elsewhere, including overseas) are making it possible for B&NES to meet most needs.

For 2021/22 the average vacancy rates for direct care workers was 12.9%, a substantial increase from 5.5% in 2020/21; turnover declined slightly from 29.9% to 25.5% over the same two years, indicating that recruitment has become increasingly difficult. Most significantly only 51% of staff are reported to have remained within the sector.<sup>14</sup>

The Council monitors overall vacancy rates monthly: up to 10.8% of posts were vacant in winter March 2023 compared with vacancy rates in August 2022 reported as 35% indicating that pressures are easing.

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

Long-term demand for care homes is likely to increase (estimated 7% increase by 2025 and 19% increase by 2030)<sup>15</sup>. This is driven by increases in older population:



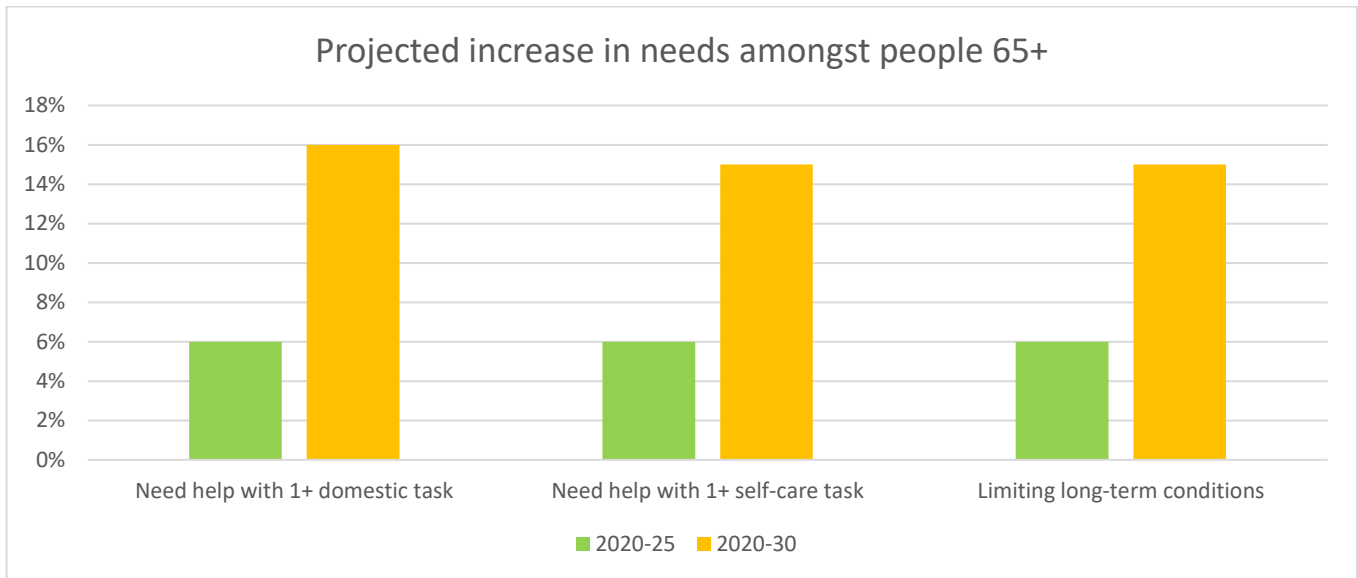
(figure for people aged 65+ with dementia figure relates to 2019-30 comparison<sup>16</sup>)

Long-term demand for home care is likely to increase, driven by increased level of need:

<sup>14</sup> [NMDS-SC data set](#)

<sup>15</sup> [www.poppi.org.uk](http://www.poppi.org.uk)

<sup>16</sup> [JSNA](#)



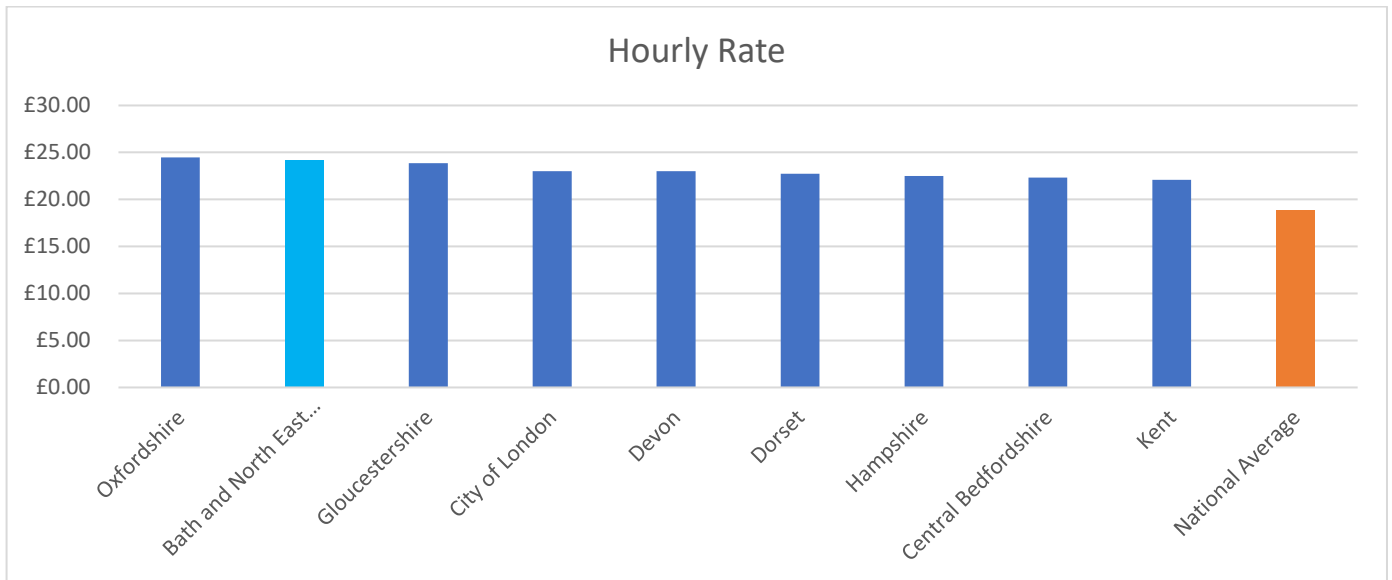
## Future market changes

### Addressing the outcome of the Cost of Care exercise

For the care home market, the cost of care exercise indicated a gap between the Council's current target fee rates and the rates needed by providers to cover their reported costs. However, there is work to be done to clarify the differences between reported costs and other benchmark data. Specifically it appears that there was potential duplication in the Return on Investment and Return on Capital figures which need to be worked through to fully understand the appropriate costs. This has not played out for home care where the figures, as noted earlier, reflect current figures and were comparable across providers. We do recognise that there are genuine cost pressures on providers and there may well be a gap that providers could reasonably expect us to fill: however, any attempt to bridge this gap will require significant extra resources. Given that these resources are unlikely to be available (over and above the Market Sustainability funding already announced, which needs to be spent on a range of activity) there is a risk of care home closures and continued workforce short-falls.

For home care B&NES is paying the second highest rate in the country (see graph below).<sup>17</sup> Although this still falls short of the figures produced by the cost of care exercise, the reported back-office costs appear very high when compared to benchmarks and, even the Homecare Association rates. The large number of new providers and ease with which we can place most current packages indicates that our current rates are competitive.

<sup>17</sup> Source: NHS Digital – Adult Social Care Activity and Finance: Comparator Report. Published October 2022.



### Planned expansion of in-house home care provision

Currently 100 hours per week are commissioned from UCB with the aim being to expand this to 600 hours per week through 23/24. As with current staff, new staff will be employed on NHS T&Cs. The expectation is that the NHS will have more success in hiring staff, as they will be paid a salary (as opposed to a zero-hour contract or other less appealing pay system). The favourable NHS terms/pension as well as Band 3 AFC salary are other factors making the roles more attractive, and the recruiters are specifically targeting those outside of the care industry, so that we increase the market as opposed to simply moving it laterally. This will also ensure we can better meet projected demand for home care (particularly complex care).

### Developments in 65+ care home market

3 care homes (with 69 bedspaces) closed during the pandemic, with a further 37 beds in a home just outside the area and more closures are anticipated (probably another 60). Two new residential care homes are being opened with c140 bedspaces during 2023 and one further 50-unit scheme on the B&NES/Somerset border. The new homes are being developed by providers with a focus on the private market. During 2023/4 the Council is planning to develop its own in-house provision to move away from residential to nursing provision.

### Additional extra-care provision

The Council is currently in discussion with Anchor Hanover to bring 29 extra care units into use, with the development scheduled to be operational from summer 2023. In addition, the Council will have access to a further 18 extra care units within the St Monica's Trust development at Somerdale Block D under Section 106 arrangements. This should enable greater choice, reducing demand for care home placements. The Local Authority are also taking forward work with providers to develop a housing strategy for people between 18 and 65 to further explore and set out choices for supported housing.

### Urgent and Emergency Care, Urgent Community Response, Virtual Wards

During the pandemic Discharge to Assess (D2A) became the normal way for people to be discharged out of hospital settings. This approach is now developing, making stronger links to the capacity of systems to support intermediate or interim care under the Care Act 2014. In addition significant funds have been given to developing Virtual Wards and Urgent care responses that prevent hospital admission. As such B&NES Council within it integrated commissioning duties as Bath and North East Somerset, Swindon and Wiltshire Integrated Care Board (BSW ICB) will be seeking to develop practices to:

- Support swift discharge from hospital into community settings with care homes and home care providers
- Opportunities for swift access to care to avoid going into hospital.
- Opportunities to work with providers to provide care alongside Virtual hospitals.

We will be looking to a mix of block and spot arrangements and would like to thank providers for facilitating good discussion about how we can take the learning from the last 3 years and work towards these new developments.

### **Delays to charging reform**

Both our care home and home care markets are under huge pressure. We need a viable local market to meet the needs of our residents. As part of this we are keen to ensure both that we pay fees that fully reflect costs and that private and publicly funded fee rates converge and are supportive of the stated policy direction. However, the lack of clarity in relation to charging reform, broader policy direction and accompanying funding has meant that raised expectations from us and our providers have not been met, making forward planning difficult at this time.

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

### **65+ care homes market**

#### **Both markets**

We have been responding to many of the pressures outlined above for many years. For both 65+ care homes and 18+ home care markets in relation to cost pressures we will respond by:

- **Validating costs:** there is further work to be done to understand the differences between reported costs and other benchmark data in order to better understand the prices we should be paying
- **Remaining committed** to move towards paying providers the right price to support market sustainability in 2023/24 and 2024/25. The Local Authority is committed to raising fees in line with requirements to provide care but will continue to only achieve this in future settlements and grants make additional funding available for adult social care
- **Using Government funding to address funding shortfalls:** In 2022/23 we committed the Government funding received – Fair Cost of Care and Market Sustainability Grant, to give a 1% payment to our providers in recognition of the costs our providers are incurring in the current market. New funds made available in 2023/24 through the sustainability grants will wherever possible also be given directly to providers. Sums are not large and the current guidance identifies that funds must be given to sectors wider than covered in this Sustainability plan. However, based on the current higher use of care home beds and the strategic intent to support more people to access extra care and homecare, any funding made available is likely to be targeted towards non-care home based provision
- **Continuing to monitor** void rates, quality, safeguarding, turnover, and staff vacancy rates to identify potential stresses on our local market.
- **Continuing dialogue with providers on their costs and cost pressures** to develop our understanding of these issues and reach a mutually agreed position.

We anticipate that we will continue to face increasing demand for Council funded provision, particularly for nursing beds and home care. We have been successful in moderating this demand over many years but, in addition to the steps outlined in section 2, we will respond to this continued pressure by:

- **Understanding better the demand for Council funded provision**, including through use of our new demand and capacity tracker in acute care

- **Reviewing our home first, discharge to assess and reablement offers (Intermediate care)** to maximise the numbers of people who can be supported at home
- **Diversifying our range of service options** to give greater choice to people with care needs (e.g., more use of micro-enterprises and expanded technology offer).

The proposed policy changes create a more complex environment for us. We will respond by:

- **Provider dialogue:** We have engaged with providers on calculating the cost-of-care and through our market engagement activities when developing our strategy. We will continue to engage both markets to develop our Market Sustainability Plan and Market Position statement, once the policy and financial context is clearer.
- **Developing our understanding of the privately funded market:** The introduction of care accounts and implementation of section 18 (3) will result in us having a much closer relationship with the privately funded market. We are unsure of the impact of this but intend to develop better intelligence on the characteristics and drivers of our local privately funded care home and homecare markets as we approach the reforms.
- **Developing new Market Position Statements (MPS):** this work will also form the basis for developing a revised MPS covering the period 2023-26.
- **The BSW Workforce Academy** brings together teams from across all of our health and care sectors as part of a network. Through this forum, we aim to address the workforce challenges and provide the stability required in the sector to deliver good quality care to our residents, mobilised through the core five pillars of: Leadership, Learning, Inclusion, Innovation, and Improvement. The Academy's activities are based on the principles of:
  - Creating a fair and inclusive organisational culture through engagement with internal and external stakeholders.
  - Providing accessible environments where our staff can succeed and do their best work and where our communities receive the best service.
  - Developing leadership to drive inclusion and a fair and inclusive culture.
  - Attracting and retaining a diverse workforce, investing in, and developing our talent to embed inclusion at the heart of our services.

### **65+ care homes market**

The period covered by our Market Position Statement concluded in March 2021 but our most recent strategic statement<sup>18</sup> for was launched in early 2021. Our ambition remains as stated: "Residents in B&NES will have received quality residential care at the right price leading to good health and well-being." In addition to the above we will respond by:

- **Spot-purchasing of care home beds:** we will continue to purchase beds in the flexible manner outlined above. This approach allows us to respond flexibly to unexpected provider cost-pressures. However, we are also looking towards a small block to respond to Intermediate/D2A activity for people on pathway 2<sup>19</sup>. Those people on pathway 3 will stay within spot purchasing to limit unnecessary moves.
- **Engaging with Integrated Care Board (ICB) colleagues** to understand the reasons for the lower level of CHC funded provision and to address these reasons.

### **18+ domiciliary care market**

In addition to the commitments noted for the 65+ market we will respond by:

<sup>18</sup> Older People's Residential (Care and nursing) Engagement Strategy 2021-24

<sup>19</sup> Description of pathways - <https://www.england.nhs.uk/urgent-emergency-care/improving-hospital-discharge/case-studies/implementation-of-a-discharge-to-assess-model/>

- **Continuing current procurement arrangements** as we have been operating at this time. This approach allows us to respond flexibly to unexpected provider cost-pressures. New block contracts will be set out for 2023/4. These will be primarily used to support intermediate care, where quick starts and on-going changes in hours are likely and this require greater risk and administration for providers. The block can offer security of funding to providers set against the dynamics of fast and changing care needs.
- We have recently **purchased two place-based licences for CareCubed software**. This software will support market development across care homes and supported living and extra care provision. CareCubed will enable benchmarking with B&NES council and national local authorities and offer a consistent and transparent process for setting rates and fees across the care market. It will also:
  - Provide cost avoidance by having greater visibility and control over rate increases
  - Provide clarity of cost of care to commissioners (LA & ICB) and providers
  - Support market shaping and growth for providers in response to our strategic approach (grow more of what we need and less of traditional out- dated models of care)
  - Enable a more agile approach taking into account cost of living and fuel increases
  - Invest to save by purchasing a place- based license/software
  - Providers can submit self -assessments and pre-populate the required fees in a consistent and accurate way
  - Allows an upper and lower limit for provision so that market viability and shaping to local need can be better developed
- **Proposed expansion of use of Direct Payments:** Usage in B&NES has dropped in recent years. We will review this to ensure that the use of Direct Payments is actively encouraged.
- **Developing micro-enterprises** to ensure greater choice for people with home care needs, particularly in hard-to-reach rural areas.
- **Expanding our assistive technology offer** to ensure alternatives to home care are available.

## Summary

B&NES Council and ICB are committed to:

- Integrated purchasing, support and contract management of care
- Supportive, transparent, relational and agile ways of working with providers
- Raising fee levels to appropriate levels wherever possible to support fair prices of care, but within the resources available. B&NES will continue to campaign with providers for the best rates that support the wellbeing of B&NES residents whether purchased through the Council/ICB or by self-funders
- Using Block contracts as a supportive approach to sharing risk, development and cost
- Developing more homebased solutions to care as an alternative to care home provision
- Facilitating growth in high end complex care and care in rural areas
- Supporting and investing in technological support to care
- Maximising the independence and wellbeing of B&NES residents through its role within the health and social care system.