

East Sussex County Council Adult Social Care Department

Final Market Sustainability plan

Notes and key updates

As part of the MSP & FCC exercise, ESCC commissioned CareAnalytics to undertake a detailed review of the local market including a comparison with national data where applicable. The ESCC Final MSP has been updated to include additional information regarding the older people's bedded market. At the time of writing CareAnalytic's final report on domiciliary care is not yet available but we will use insights from that report throughout the coming year.

Since the Provisional MSP was submitted ESCC have continued to engage with the provider market through a range of standing forums e.g. Independent Care Group which covers all care providers as well as ad hoc meetings. This has included significant work with providers regarding fee setting negotiations for 23/24. Outcomes of the Fair Cost of Care exercise were one of the information sources, considered by the Council and providers, when negotiating fee uplifts for 2023/24.

Revised Assessment of current sustainability of the 65+ care home market

In the view of ESCC and local providers the 65+ care home market is under extreme pressure. Whilst there is currently sufficient supply and diversity in most areas of the market, but not all, the medium to long term sustainability of the market is uncertain. The main issues affecting the market are fee rates, workforce and post-Covid recovery.

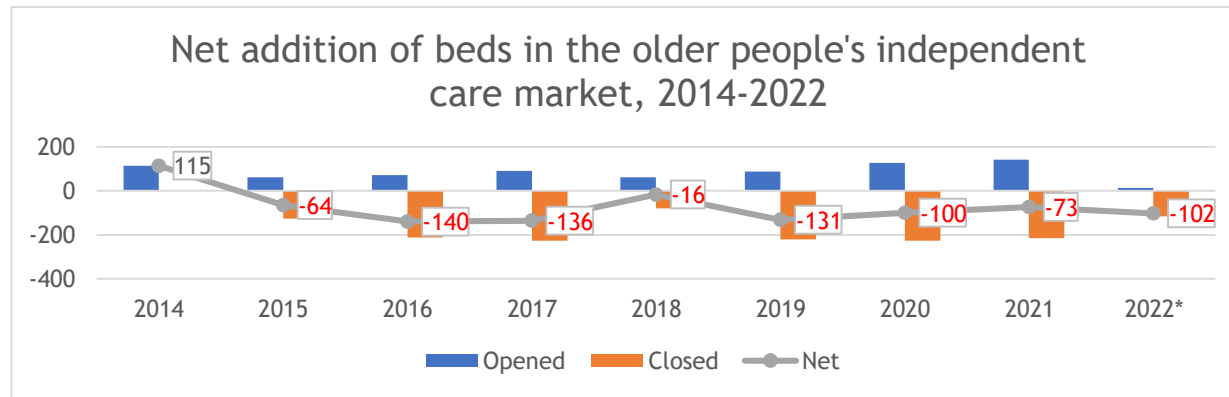
Sufficiency & diversity

There are 167 registered 65+ residential and nursing homes in the East Sussex (SP to update). There are currently c. 3,000 people self-funding in these establishments (55%). There are c.1,500 ASC clients (30%) and c.700 CHC / other local authority clients (15%).

East Sussex has a large older adult care home market relative to population size. In terms of beds per head of population aged 75+, the older adult care home market in East Sussex is 12.2% bigger than England as a whole, 13.8% bigger than the average for all Shire Counties, and 7.6% bigger than the average for the South East region (of which East Sussex is a part).

The residential-only market in East Sussex is almost entirely comprised of independent operators and small groups (circa 87% of beds). This contrasts strongly with national (56%), regional (60%), and shire county (54%) averages. The market composition for nursing homes is closer to national and other benchmarks but still has more beds operated by independents and small groups. 95% older adult residential homes in East Sussex are in old buildings built or first opened before 2000. This is an extreme result when compared to other areas of the country.

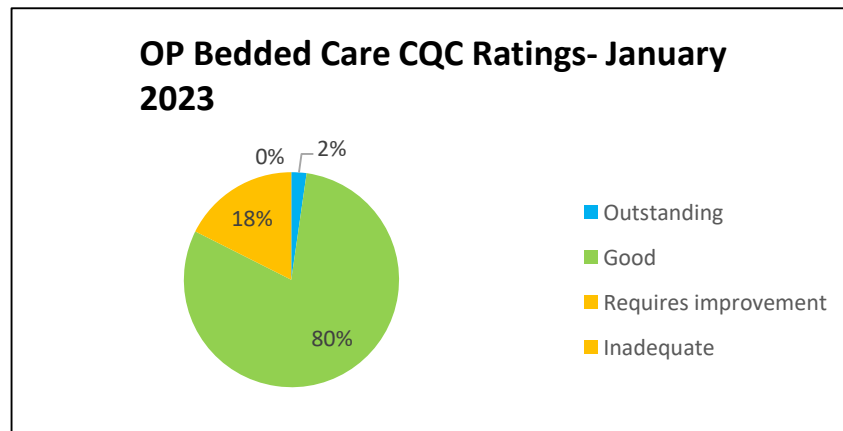
Despite its relatively large size, the East Sussex market has shrunk by c.9% in terms of registered bed capacity since 2014, which is a far greater contraction than overall changes at a national (-1%), regional (+2%), or shire county (+1%) level. East Sussex has seen new ExtraCare supported housing sites built in the past decade but these have only partly offset the reduction in residential capacity.



Given the make-up of the market in East Sussex, the pattern of small care homes in older properties exiting the market can be expected to continue over the next few years. Feedback from providers supports this view. Covid impacted the majority of providers with occupancy and business models negatively impacted; the timeline for businesses to recover from this is significant. Many independent providers have reported that they are considering closing their establishment(s) in the next few years.

Quality

Overall East Sussex has quality provision of residential services with no services rated as inadequate:



Jan-23	
Rating	Locations
Outstanding	4
Good	141
Requires improvement	31
Inadequate	0
Grand Total	176

NB - Table shows 176 providers as it includes working age providers who also offer some provision for people 65+.

Fees

Historically, ESCC has taken pride in its stewardship of public money - evidenced by paying 'Published Rates' for a large proportion of 65+ bedded care placements. The success of this approach has been built on positive relationships with the market and making fee increases whenever fiscally possible. Since 2019/20 ESCC has increased fees for residential care by 18%. This includes passing on all of the East Sussex Market Sustainability and Fair Cost of Care award (£1.745m) for 22/23 to providers as part of a 6% uplift. Despite this, ASC rates for 65+ bedded care remain below the median rate identified through the Fair Cost of Care methodology. Fee rates are considered to be the biggest sustainability challenge to local authority purchasing in the bedded care sector in East Sussex.

Since completing the Fair Cost of Care exercise, inflationary pressures have been cited by providers as a major challenge. The impact of inflationary pressures has been one of the most important factors when discussing fee increases for 2023/24. Pay rates in East Sussex mean that the NLW has not been a specific issue in the area. Please see section 3 below for further information.

Workforce

Recruitment and retention is a very significant challenge to the bedded care sector in East Sussex. Existing difficulties in recruiting and retaining staff were exacerbated by the pandemic. ESCC supports providers with overseas recruitment and training, for example, but providers across the sector report workforce as their greatest issue.

Whilst workforce is a known, national issue, comparator data across our south-east neighbours highlights that East Sussex has the lowest proportion of working age workforce in the area, and indeed amongst the lowest countrywide.

Delays to Charging Reform

Delays to the Charging Reforms have had no immediate impact on market sustainability. However it is noted that the ESCC proposed fee uplifts for providers are below the current rate of inflation and the market will become unsustainable if future funding is not cognisant of this and the additional pressures that the Charging Reforms are expected to bring. See section 2a below.

Revised Assessment of current sustainability of the 18+ domiciliary care market

In the view of ESCC and local providers the 18+ domiciliary care market is, overall, less challenged than the 65+ bedded care market. However domiciliary care providers are experiencing similar workforce retention and recruitment challenges. Whilst generally there is good diversity and supply in East Sussex this is not true of the High Weald area. There is insufficient market capacity in this area with workforce and rurality being some of the critical factors. In the Lewes area there is sufficient supply but this is only available at far higher fee rates (c. 50% higher) than elsewhere in the county.

Sufficiency

There are currently 81 registered 18+ home care providers in East Sussex. Of these, c. 50% are on the ASC Approved Providers list and are providing hours to ASC clients.

ESCC's new home care contract went live from 30/01/23 and is due to run for a 10 year period. The contract divides the county into 9 geographical areas rather than the previous 6 to better reflect the different footprint of local areas. Areas of highest demand (Eastbourne, Seaford & Havens and Hastings & Rother) will have 2 'Lead Providers'. The model has been designed to reduce pressure of 'pick-up' in these areas and mitigate the risk incurred by a single Lead Provider model.

3 main providers - all 'Lead Providers' supply c. 60% of the total hours purchased by ESCC.

Overall, ASC clients account for c. 50% of the total market share in the county.

Diversity

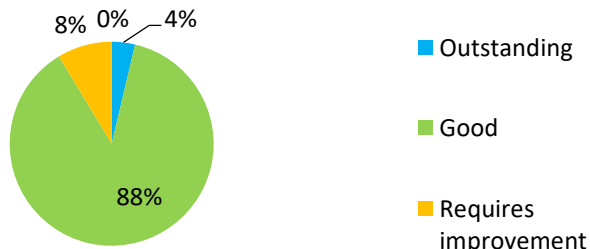
There is a wide range of domiciliary care agencies operating within the county including large and small providers and those offering a range of services.

ASC also has c.800 clients using Direct Payments to employ c.1600 Personal Assistants and operates a 'Support With Confidence' scheme where clients and citizens can search for accredited providers of a range of services including domiciliary care and personal assistants.

Quality

Overall East Sussex has quality provision of 18+ domiciliary care with no providers rated inadequate:

**Home Care CQC Ratings -
January 2023**



Jan-23	
Rating	Locations
Outstanding	3
Good	71
Requires improvement	7
Inadequate	0
Total	81

Fees

Since 2019/20 ESCC has increased fees for domiciliary care by 15%. This includes passing on all of the East Sussex Market Sustainability and Fair Cost of Care award (£1.745m) for 22/23 to providers (as part of a 6% uplift for 22/23). Despite this ASC rates for domiciliary care were still slightly below the local median rate as calculated by the Fair Cost of Care exercise.

Since completing the Fair Cost of Care exercise, inflationary pressures have been cited by providers as a huge challenge. The impact of inflationary pressures has been one of the most important factors when considering fee increases for 2023/24. Pay rates in East Sussex mean that the NLW has not been a specific issue in the area. Please see section 3 below for information on ESCC fee rates for 2023/24.

Workforce

Recruitment and retention is the greatest single challenge currently faced by the domiciliary care sector in East Sussex. Existing difficulties in recruiting and retaining staff were exacerbated by the pandemic. ESCC supports providers with overseas recruitment and training, for example, but providers across the sector report workforce as their greatest issue. Whilst workforce is a known, national issue, comparator data across our south east neighbours highlights that East Sussex has the lowest proportion of working age workforce in the area, and indeed amongst the lowest countrywide.

Delays to Charging Reform

Delays to the Charging Reforms have had no immediate impact on market sustainability. However it is noted that the ESCC proposed fee uplifts for providers are below the current rate of inflation and so the market will become unsustainable if future funding is not cognisant of this and the additional pressures that the Charging Reforms are expected to bring. Pay rates in East Sussex mean that the NLW has not been a specific issue in the area. See section 2b below.

Assessment of the impact of future market changes between now and October 2025, on the 65+ bedded care market

Key future market changes between now and October 2025 in the East Sussex 65+ care home market are:

- We anticipate that occupancy levels in bedded care, post Covid, will recover across the period and will be back to pre-pandemic levels by October 2025. This will have a positive impact on the financial stability of the care home sector but increases workforce pressures.
- We expect there will continue to be an overall reduction in the number of residential and nursing beds available in the county. An increasing number of providers have reported their intention to close following the pandemic and we therefore expecting the rate of reduction to increase slightly across the next 2 years. Where new providers are entering the market in East Sussex this tends to be at the top end of the market where ASC have virtually no market share.
- Workforce will continue to be a huge pressure for the sector with an expected expansion in overseas recruitment required.

- Elected Members have expressed an interest in ESCC contracts requiring providers to contribute towards net zero emissions and this may become a factor across the period.
- The cost of living pressures, in particular the rising cost of energy and continuing uncertainty for the business sector, will have a major impact on sector operating costs. Government announcements in 2022 stabilised the situation to some extent but energy costs and other inflationary pressures are expected to be significant pressures on providers across the period.
- The Chancellor's Autumn Statement in October 2022 delayed the ASC Charging Reforms, including the commencement of section 18(3) of the Care Act, until October 2025. Whilst the Government has stated it's continuing commitment to reform, providers are expressing some concern about the uncertainty that this delay creates given that ASC funding reform has previously been pushed back by many years.
- When the ASC Charging Reforms are implemented this will create significant challenges in the market. If the Funding Reforms lead to a high demand for the local authority to purchase significantly more bedded care placements, at the local authority rate, this is unlikely to be sustainable in the local market by 2025 given the current gap between ESCC rates and the local median cost of care.
- Currently ASC purchases approximately 30% of the 65+ beds in East Sussex. Applying Government estimates of take-up and local estimates of the impact of the Charging Reforms we predict that this could increase to 65% by October 2025 - assuming pre-work to assess existing self-funding people. This would mean that the current number of self-funding people in bedded care in East Sussex would reduce from c.3,000 to c.1,000 by October 2025. Depending on local authority funding and our ability to move towards a local 'fair rate of care' this change in market share may not be sustainable.

Assessment of the impact of future market changes between now and October 2025, on the 18+ domiciliary care market

Key future market changes between now and October 2025 in the East Sussex 18+ home care market are:

- As above, the new ESCC home care contract commenced on 30/01/23 and is expected to be in place for the next 10 years. The model reflects learning from market pressures over the past 5 years.
- Workforce will continue to be a major issue for the sector with a continued need for overseas recruitment.
- The cost of living crisis and in particular the increases and uncertainty relating to fuel costs is a major challenge for the sector.
- Members have expressed an interest in ESCC contracts requiring providers to contribute towards net zero emissions and this may become a factor across the period.
- If the Charging Reforms are implemented in October 2025 there is likely to be a significant impact on ESCC's market share. Current best estimates indicate that in East Sussex ASC could move from a 50% market share to 80%. If significantly more people required ESCC to organise home care services at the local authority rate then it is unclear whether a move from 50% to 80% market share would be sustainable for providers; although it is important to note that the disparity between local authority rates and the local median rate for domiciliary care is not as great as it is for bedded care

Plans for 65+ bedded care market to address sustainability issues, including fee rate issues, where identified.

Initiatives to address the sustainability issues outlined in section 2a above include:

- ESCC has expanded its offer of grant funding to support with the costs of recruitment, settlement and integration of overseas workers to all bedded care providers in the county. Currently we offer providers a grant of £1,852 per new overseas starter which equates to c. 25% of the total recruitment costs. Each provider organisation is eligible for grant funding for up to 5 overseas workers. ESCC will spend c. £500k on this scheme in 2022/23. This scheme will continue to run throughout 23/24.
- NB: In 2022 it was also agreed to use £250k of the Winter Discharge Fund in East Sussex to provide additional support with overseas recruitment to CQC registered nursing and residential homes. £375k of the Winter Discharge Fund was also used to make incentive payments of £150 to permanent staff working in care homes providing contracted discharge to assess beds.
- In 2022/23 ESCC has used 100% of FCC& MSP funding to increase the rates paid to providers. In 2023/24 ESCC has offered a 10% fee increase to providers across the board. This is the highest financially sustainable fee uplift that can be made within the Council's budget.
- ESCC will continue to employ 3 dedicated staff to work in the community to attract new staff into the care sector. Through attendance at careers fairs, colleges, universities they aim to attract young people to a career in social care. We also work with DWP, the Armed Forces Network, Restless over 50s project, Princes Trust, refugees and Reed in Partnership to appeal to all working age adults. Candidates are supported with free training, interview preparation and coaching provided by ASC.
- ASC continues to offer a free comprehensive programme of training to all East Sussex Independent Care Providers. The offer includes all mandatory training from safeguarding to moving and handling. We also offer leadership and management courses, staff wellbeing and specialist training such as dementia and mental health awareness. Tailored and bespoke support can also be accessed on request.
- ASC's Market Support Team will continue to work closely with local providers, the CQC and NHS in order to:
 - Support and strengthen the independent care and support market
 - Improve and sustain quality improvements
 - Prevent business failure or service deterioration
 - Identify and address business continuity and sustainability concerns

This supportive, partnership approach has been successful in helping to ensure overall quality provision within the county.

Engagement

172 care homes were invited to respond to the Fair Cost of Care Survey. Prior to publishing the survey, on 27 May 2022 all eligible services were provided with information about the survey, why they were being asked to take part and the importance of their contributions. In June, to further encourage responses, the Director of Adult Social Care, wrote to providers requesting that they complete the survey by 1 July 2022. We also ran an on-line Q&A session for providers with CareAnalytics (independent third-party suppliers who we commissioned to carry out the FCC exercise on our behalf) to help them complete returns. The deadline for responses was extended to mid August to allow for more replies.

Care Analytics worked with services that had completed the survey to resolve any queries relating to their returns and Adult Social Care also followed up with services that hadn't engaged with Care Analytics to maximise the number of useable returns

Information provided by services that responded to the iESE return has been passed to Care Analytics to supplement their analysis

In addition we held an on-line session for care providers in August to update them more generally on the Charging Reforms as well as promote the Fair Cost of Care exercise. All local providers (across all sectors of the market) were invited to the on-line sessions which were also publicised in our weekly bulletin to providers which has a circulation list of over c. 2,400.

A final session for Care Home providers was organised once the outcomes of the Fair Cost of Care exercise were known and the Market Sustainability Plan was drafted so that provider feedback could be reflected in submissions to DHSC.

ESCC has a positive working relationship with the local Registered Care Association who provide information, insight, and feedback on a regular basis to the Strategy, Commissioning and Supply Management Division, and through the Independent Care Group - a meeting between provider representatives and senior ASC management. We operate a relationship management approach to working with providers, particularly with the Homecare sector, meeting regularly with the largest suppliers to better understand and support the market.

The Registered Care Association have provided clear information and representation as to the pressures being experienced in the care market currently, as part of the fee negotiation process for 2023/24. Discussions were held around the table between ESCC and RCA, from October to February with regard to the level of fee increase that could be presented for budgetary consideration. Information that the wider provider market and representatives had supplied to ESCC within the last year were also taken into consideration during this process.

Plans for 18+ domiciliary care market to address sustainability issues, including fee rate issues, where identified.

Initiatives to address the sustainability issues outlined in section 2b above include:

- Continue to provide grant funding to support with the costs of recruitment, settlement and integration of overseas workers. Currently we offer Lead Providers a grant of £3,750 per new overseas starter which equates to c. 50% of the recruitment costs. We offer Approved Providers £1,850 for each new overseas starter - c. 25% of the recruitment cost. ESCC will provide c.£600k for this scheme in 2022/23.
- NB: In 2022 it was also agreed to use £150k of the Winter Discharge Fund in East Sussex to provide additional support with overseas recruitment to CQC registered home care providers. £340k of the Winter Discharge Fund was used to make incentive payments of £150 to permanent home care staff.
- To date ESCC has used 100% of FCC& MSP funding to increase the rates paid to providers. In 2023/24 ESCC has offered a 10% fee increase to providers across the board. This is the highest financially sustainable fee uplift that can be made within the Council's budget.
- In 2022 ESCC made a fuel subsidy payment, of £150 per worker (which it made available to in-house provider services staff and to contracted provider's staff) In 2023/24 ESCC will review the potential for further staff incentive payments.
- Under the new contract for domiciliary care, from 01/01/23, we have adopted a 'payment on rostered' model (and moved away from paying homecare providers on a minute-by-minute basis). The model contractually obliges homecare businesses to pay their carers on a rostered basis. The effect of this will be a more consistent salary level for carers, with an expectation that this will aid both recruitment and retention, and therefore

support sustainability in terms of provider capacity and quality across the market place. Additionally, the investment made to pay on a rostered basis will deliver an additional revenue stream to provider businesses and reduce risks with regard to financial sustainability.

- ASC continues to offer a free comprehensive programme of training to all East Sussex Independent Care Providers. The offer includes all mandatory training from safeguarding to moving and handling. We also offer leadership and management courses, staff wellbeing and specialist training such as dementia and mental health awareness. Tailored and bespoke support can also be accessed on request
- ESCC will continue to employ 3 dedicated staff to work in the community to attract new staff into the care sector. Through attendance at careers fairs, colleges, universities they aim to attract young people to a career in social care. We also work with DWP, the Armed Forces Network, Restless over 50s project, Princes Trust, refugees and Reed in Partnership to appeal to all working age adults. Candidates are supported with free training, interview preparation and coaching provided by ASC.
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 - Prevent business failure or service deterioration
 - Identify and address business continuity and sustainability concerns

This supportive, partnership approach has been successful in helping to ensure overall quality provision within the county.

Engagement

63 home care services were invited to respond to the Fair Cost of Care Survey. Prior to publishing the survey, on 27 May 2022 all eligible services were provided with information about the survey, why they were being asked to take part and the importance of their contributions. In June, to further encourage responses, the Director of Adult Social Care, wrote to providers requesting that they complete the survey by 1 July 2022. We also ran an on-line Q&A session for providers with CareAnalytics (independent third-party suppliers who we commissioned to carry out the FCC exercise on our behalf) to help them complete returns. The deadline for responses was extended to mid August to allow for more replies.

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A final session for domiciliary care providers was organised once the outcomes of the Fair Cost of Care exercise were known and the Market Sustainability Plan was drafted so that provider feedback could be reflected in submissions to DHSC.

ESCC has a positive working relationship with the local Registered Care Association who provide information, insight, and feedback on a regular basis to the Strategy, Commissioning and Supply Management Division, and through the Independent Care Group - a meeting between provider representatives and senior ASC management. We operate a relationship management approach to working with providers, particularly with the Homecare sector, meeting

regularly with the largest suppliers to better understand and support the market. In January 2023, the new Homecare contract was implemented and mobilisation meetings have taken place with each supplier who has signed up to work within the new contract, including discussion on key market sustainability issues.

The Registered Care Association have provided clear information and representation as to the pressures being experienced in the care market currently, as part of the fee negotiation process for 2023/24. Discussions were held around the table between ESCC and RCA, from October to February with regard to the level of fee increase that could be presented for budgetary consideration. Information that the wider provider market and representatives had supplied to ESCC within the last year were also taken into consideration during this process.
