

## Knowsley Metropolitan Borough Council: Market Sustainability Plan – March 2023

### **Section 1:**

#### **Revised Assessment of the Current Sustainability of Local Care Markets**

##### **Key Facts - Knowsley:**

- Knowsley is located in the Liverpool City Region and is a member of the Cheshire and Merseyside sub regional Integrated Care System and the Northwest region of England.
- The Borough has a population of 154,500.
- Knowsley is the 2<sup>nd</sup> most deprived local authority area in England.
- There is a deficit in the share of residents who are working in higher skilled roles compared to Great Britain overall.
- Full time weekly pay is lower in Knowsley (£572) than in England overall (£613). The largest employment sectors in the Borough are health and social care, manufacturing, and wholesale and retail.
- The share of Knowsley residents without any qualifications is 9.5%, compared to 6.6% in Great Britain overall; and
- There is expected to be a 20% increase in the number of older people residing in the borough by 2030, which will have an impact on demand for social care services.

The following strategic documents also support wider proactive market shaping activity:

- (i) Adult Social Care Recovery and Transformation Plan (currently subject to a refresh)  
[Adult Social Care Recovery and Transformation Plan 2020-2023 \(knowsley.gov.uk\)](https://www.knowsley.gov.uk/adult-social-care-recovery-and-transformation-plan-2020-2023)
- (ii) Current Market Position Statement 2020 – 2025 (currently subject to a refresh with final publication early April 2023)  
[Policies, plans and strategies - People | Knowsley Council](#)

#### **a) Assessment of Current Sustainability of the 65+ Care Home Market**

##### **Residential and Nursing Care – Key Facts**

- 17 care homes, which support over 65s.
- Capacity for 748 placements across all categories of care.
- Knowsley Council commissions Continuing Health Care (CHC) beds on behalf of the NHS Cheshire and Merseyside Integrated Care Board (Knowsley).
- Two care homes have closed, and another care home has reduced its capacity in the last 12 months resulting in a reduction of 155 beds.
- 606 beds currently utilised (as at 27 February 2023).

- Significant shortage of dementia nursing placements in the borough – 75% of care commissioned out of area. Market capacity and sustainability in nursing care is a significant risk.
- Quality of care - currently 29.4% of care homes are Care Quality Commission (CQC) rated requires improvement, and 5.9% of care homes are rated Inadequate; and
- The Care Home rated inadequate provides residential and nursing care, whilst rated inadequate care of homes are suspended to any new placements in line with the Care Home contract until such time as the rating improves to a minimum of requires improvement.

### **Current Market Configuration**

There are 17 care homes in Knowsley. Of these, there are 12 homes, which offer residential and five, which offer nursing care. There are only two care homes in the Borough offering dementia nursing care. The table below identifies that while homes have vacant beds according to CQC maximum capacity figures as at 8 March 2023, the actual number of vacancies is much less than this. This is due to a number of factors including some homes having closed units, some rooms being refurbished and some rooms not available due to inability of care homes to recruit staff.

Bed Type	CQC - Max Capacity	Total Vacancies	Total Available Vacancies	Total Beds Occupied
Residential	215	47	21	168
Dementia Residential	369	66	48	303
Nursing	140	27	5	113
Dementia Nursing	24	0	0	24

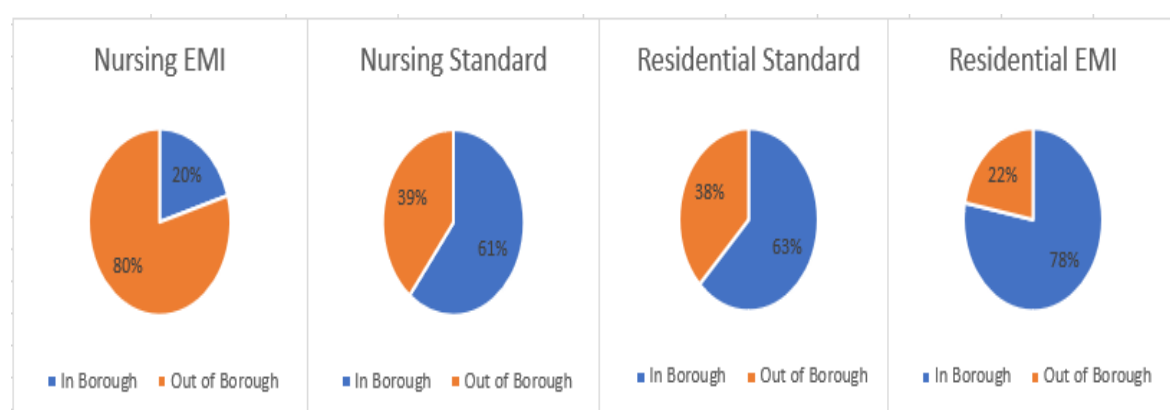
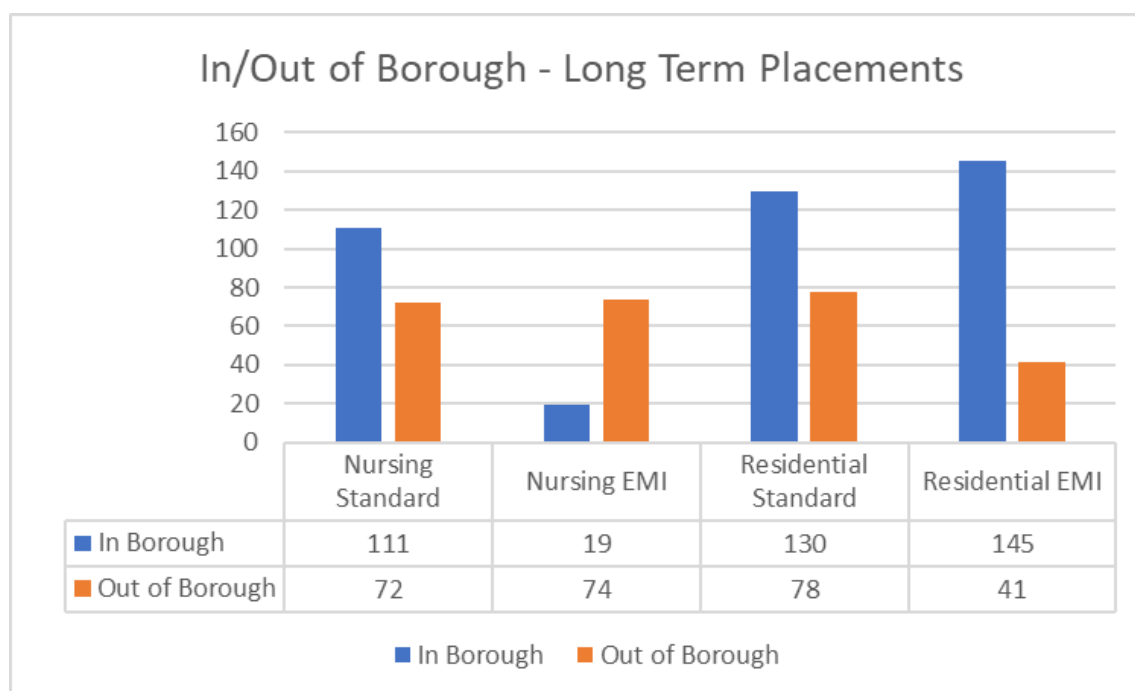
Approximately 30% of homes are operated by two large national organisations - HC-One and Anchor Hanover with the remainder run by medium regional organisations and small local care providers. The Council commissions 85% of the market. The remainder of the beds will be a combination of beds commissioned by other local authorities, self-funders, and vacancies. Some beds are block booked for transitional placements, intermediate care, or system resilience in support of seasonal pressures.

Two care homes have closed in the last 12 months due to challenges in leadership and management and an inability to recruit qualified nursing staff. A further care home has reduced its bed capacity by 60% over the last few years due to staffing and viability issues. This has resulted in a total reduction of 155 beds within the market. A reduction in the number of dementia nursing beds has also created significant capacity issues across the market. The Council is also aware our regional partners across Cheshire and Merseyside have capacity issues for dementia nursing care. The sustainability of dementia nursing care and nursing care provision in general is a significant concern in relation to market sufficiency and sustainability.

The table below outlines the current difficulties as of 21 March 2023 in meeting the demand for nursing and dementia nursing care locally. It also clearly shows problems with oversupply of residential care locally.

Care Category	Current Placement Waiting Figures	Current Vacancies in Borough
Residential	1	15
Residential Dementia	5	55
Nursing	4	6
Nursing Dementia	5	0

The charts below highlight problems with local capacity for dementia nursing and highlights the pressure being placed on other local areas to meet the demand for Knowsley's dementia nursing care needs.



### **Quality of Care Provision**

Of the 17 care homes in Knowsley four are rated as requires improvement by CQC and one care home is rated as inadequate. If a provider has to make an improvement in any domain, they must have a plan to improve. The Council's Quality Assurance Team does work closely with providers to support and monitor this process.

The decline has been noted following the pandemic and with CQC and Council staff being able to recommence quality assurance visits it has become apparent that the numbers of permanent care staff have reduced due to sickness absence, and this has resulted in an increase in the numbers of short-term agency staff used to support care delivery. In particular, the visits show that the documentation and auditing of care plans has not been as robust as required.

Despite the relatively positive position of the majority of our care homes, the root causes of why care quality can and does deteriorate are not likely to be resolved soon, given the national position. While the Council supports and monitor care homes to meet contractual requirements, the responsibility for the delivery of quality services remains with the provider.

As part of the recovery of the market, it is taking time for homes to improve as they are not yet fully recovered from the pandemic and are still dealing with staffing issues. In general terms several homes are struggling to attract and retain good leaders, and recent intelligence would indicate that some of the bigger providers tend to move their good managers around to other homes that have received poor ratings. This results in inconsistencies in leadership and management.

In response, Knowsley Council commissioned My Home Life England to deliver a Leadership and Professional Development programme for registered care home managers in Knowsley with the aim of supporting the quality of life for those living, visiting, and working in care settings.

### **Key Areas of Challenge and Risk**

- Sufficiency of Supply:
  - There is oversupply of residential care – current providers are unwilling to transition care to nursing or complex care provision. There are high bed vacancy levels placing these providers at risk; and
  - There is limited availability of dementia nursing care locally. Residents requiring dementia nursing care are predominantly placed out of Borough.
- Recruitment of Staff:
  - Issues regarding the recruitment of nursing staff is having a significant impact on the availability of nursing and dementia nursing care. The Fair Cost of Care (FCOC) exercise in Knowsley identified that the Funded Nursing Care (FNC) rate paid by the NHS is not sufficient enough to recruit and retain good quality nursing staff in care homes.
  - There is a shortage of suitably trained and experience registered managers, which is impacting on sustainability and quality of care.
  - There is high dependency on agency workers to ensure sufficient staffing.
  - There is an increasing numbers of care workers that are choosing to be employed via agencies at higher rates.
  - Care home providers pay national living wage whereas other sectors such as retail pay higher wages; and
  - Care home providers lost staff during the pandemic due to the introduction of mandatory Covid vaccinations. This put care home providers at a disadvantage as it was not made compulsory for any other

social care or health professional. The decision was subsequently reversed, but this was too late for care home providers.

- The Quality of Care:

- In Knowsley, quality of care is a significant area of challenge with four care homes previously rated as 'Inadequate' or 'Requires Improvement' have had improved inspection outcomes, whilst positive still require close monitoring.
- Two care homes have had deteriorating care standards identified on CQC inspection: and
- Management and leadership quality and financial viability are the two predominant challenges faced locally.

Following the completion of the FCOC exercise in the Autumn of 2022 (see Annex B Cost of Care Reports: [Policies - Health and Social Care | Knowsley Council](#)) and further engagement with providers, this market intelligence, plus the benchmarking with neighbouring authorities has informed Knowsley Council that providers would like to pay their care staff above national living wage, and where possible pay the real living wage. By offering these rates of pay, the care providers believe that this would attract staff to the social care market and retain staff within the sector.

The engagement with providers has shown to Knowsley Council that the impact of fee rates is integral to the providers being able to provide adequate training and attractive terms and conditions of employment. If the providers are not paid enough the impact of this is the provider either not offering attractive packages and/or absorbing the costs themselves, which may not be financially viable long term.

It is clear from the engagement with providers is that the development of the workforce has been affected by a number of factors including the Covid-19 pandemic and specific workforce issues specifically affecting this sector. In addition, understanding the Council's medium-term plans for fee rates was raised by providers as its considered integral to their business decision requirements to be able to take a long-term view to invest and develop its workforce.

Currently 35% of our care homes are carrying vacancies for carers. Feedback from providers indicates an increased reliance on agency staff during and following the pandemic and increases in overtime to staff working additional shifts.

It has been well documented that the impact of inflationary pressures has had on providers and staff in service around the increased hike in energy costs, food, and insurance. This adds more pressure to providers supporting staff during these times and the need to pay above minimum wage at least along with any other enhancements available from Local Authorities.

The challenge the council has is ensuring the rate offered to the Care Home market for 2023/24 is enough to allow providers to pay competitive rates to be able to attract staff who may otherwise apply for jobs in the local area that pay national living wage or above, Knowsley has a variety of businesses such as retail, coffee shops and restaurants. Another challenge is ensuring the rate offered is in line with other Local Authorities across the region.

There remains long-term uncertainty around what Government funding the Council will receive to address the pressures already in the system such as inflationary costs, recruitment, and retention of care workers. The risk to the self-funder market will remain in that the cost of care can be unpredictable and there is no cap.

#### **b) Assessment of Current Sustainability of the 18+ Domiciliary Care Market**

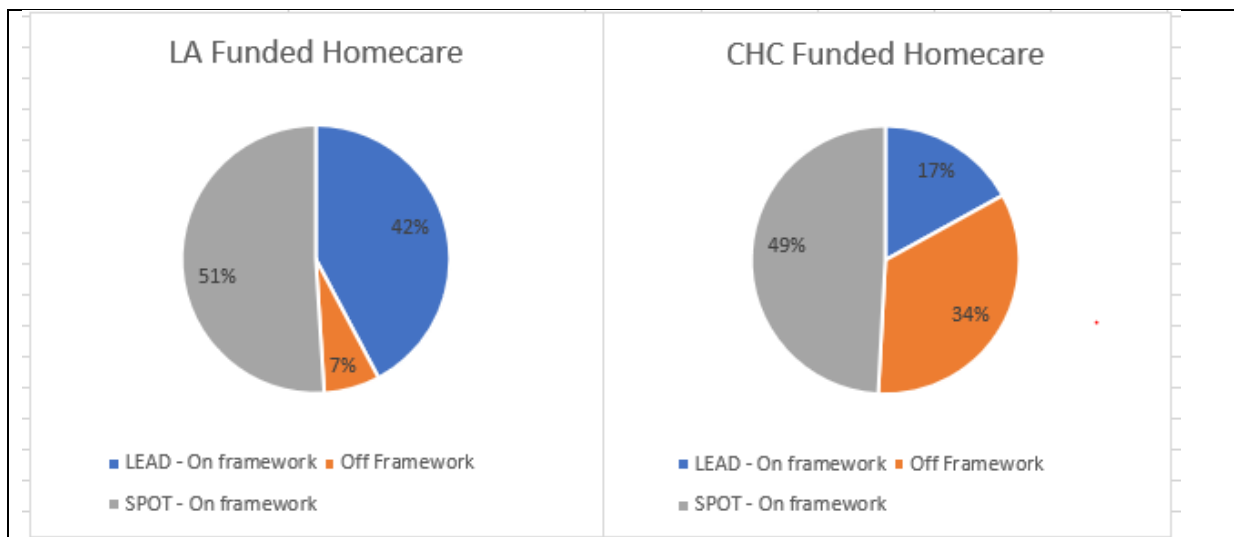
##### **Domiciliary Care - Key Facts**

- Knowsley Council commissions on average 14,199 hours of domiciliary care per week.
- Care is commissioned on a geographic footprint with four lead providers servicing eight geographical areas of the borough of Knowsley with each lead provider covering two areas.
- A range of spot providers are also operating across the borough.
- Knowsley Council commissions CHC care on behalf of the NHS.
- Supply of domiciliary care is good. There are low waiting lists for care in comparison with regional authorities.
- Supply is challenging during school holiday periods as many homecare workers reduce the hours, they work to manage childcare responsibilities; and
- Quality of care overall is good - 82% of contracted providers are rated good by the CQC.

##### **Current Market Configuration**

There is approximately 14,199 hours of homecare commissioned in Knowsley per week. The contractual framework was established with four lead providers operating across eight geographical areas – each lead provider provides coverage for two areas. A secondary Dynamic Purchasing System (DPS) allows the council to contract with a range of other providers who provide care across all 8 areas. Both lead providers and providers who are signed up to the DPS provide care at the Councils contracted rate. Care is also commissioned with a small number of providers who have not signed up to the Councils standard contract and who charge higher rates for care.

The majority of care commissioned to meet social care needs is commissioned from providers who are under standard contractual terms with the Council. For care commissioned by social care, only 7% is commissioned with off-contract providers. However, this increases to 34% for packages commissioned on behalf of the NHS for CHC. The rationale for this is that CHC care packages often require a level of complexity or clinical support that standard contract providers are unwilling or unable to provide at standard rates.



The local domiciliary market is made up of three types of providers: local owned and operated individual businesses; franchised branches operated as individual entities, but part of a larger organisational infrastructure and branches owned and operated by large organisations.

### **Quality of Care**

Overall, the quality of care is good - 82% of contracted providers are rated good by the CQC, with 18% rated as Requires Improvement. There have been instances of a decline in the quality since the pandemic. With CQC and the Council's Quality Assurance staff being able to recommence visits, it has become apparent that the numbers of care staff have reduced due to sickness absence and staff choosing to leave the care sector, in favour of employment in other competitive industries e.g., retail. Consequently, this has created an increase in the number of vacancies and providers operating at lower staffing capacity than they should be. This has resulted in increased quality concerns being reported and complaints.

### **Key Areas of Challenge and Risk**

- Supply:
  - New referrals for Home Care have increased with 388 new referrals during Q1 of 2021 compared to 439 new referrals coming through Q1 of 2022 and although the numbers of people waiting for care are low in comparison to regional authorities, a snapshot view over the last 12 months shows people waiting for care increasing over time.
  - The average volume of outstanding packages of care equated to 3 (1% of new referrals) during Q1 of 2021 compared to the average of 17 (4% of new referrals) during Q1 of 2022. This will have an impact on hospital discharge.
  - In the more rural areas of the Borough, Cronton and Halewood, the ability of providers to respond to demand continues to be a challenge; and
  - Overall, while supply remains good. The capacity to provide domiciliary care across the market has reduced over the last 12 months.
- Recruitment of staff:
  - During 2021/22, three providers have been supported to implement business continuity plans due to sickness including COVID and staffing issues in general. This included one provider handing back their packages

of care back due to staff leaving to work for an agency paying a higher rate: and

- Providers are currently struggling to recruit and retain a suitably skilled workforce due to a combination of factors including competition from other sectors, which pay more for less demanding work and a significant loss of staffing due to the mandatory covid vaccination protocol for care workers (which was reversed but not in time to prevent care workers leaving).

Overall, the current supply of home care in Knowsley is good. However, resilience in the market is not. High levels of covid and non-covid related sickness, high vacancy rates and the transient nature of the workforce can very quickly impact on supply putting at risk both existing care arrangements and the ability of the market to meet future demand.

Market intelligence and benchmarking with neighbouring authorities informs the Council that providers would like to pay their care staff above the national living wage, and where possible the real living wage. By offering these rates of pay it is considered that it would attract staff to the social care market and retain staff within the sector. Some authorities have implemented a temporary pay enhancement to their home care market providers during 2022/23 financial year to passport onto employees.

The impact of fee rates is integral to the providers being able to provide adequate training and attractive terms and conditions of employment, if the providers are not paid enough the impact of this is the provider either not offering attractive packages and/or absorbing the costs themselves which may not be financially viable long term.

During Q1 of 2021/22, staff data collected shows overall staff numbers employed to support packages of care was 1,020 with vacancies of 76 in service compared to the same period Q1 2022/23 was 856 with vacancies of 48 in service. This considers providers who have dropped off or come on board during this time.

It has been well documented that the impact of inflationary pressures has had on providers and staff in service around the increased hike in energy costs, petrol, and food. This adds more pressure to providers supporting staff during these times and the need to pay above minimum wage at least along with any other enhancements available from Local Authorities.

The challenge the council has is ensuring the rate offered to the Home Care market for 2023/24 is to ensure it has a competitive market in line with other Local Authorities and understanding other business types in our area e.g., retail, coffee shops and grocery stores.

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

The transformation and sustainability of Adult Social Care is a priority for Knowsley Council. Like many areas of the country, Knowsley has an ageing population with increasing numbers of people with complex care needs which will increase the demand for and cost of Adult Social Care services. As a result of austerity, Knowsley Council has had to make cuts in its budget of over £100m since 2010. The model of Adult Social Care Services and support has needed to adapt and evolve in order to

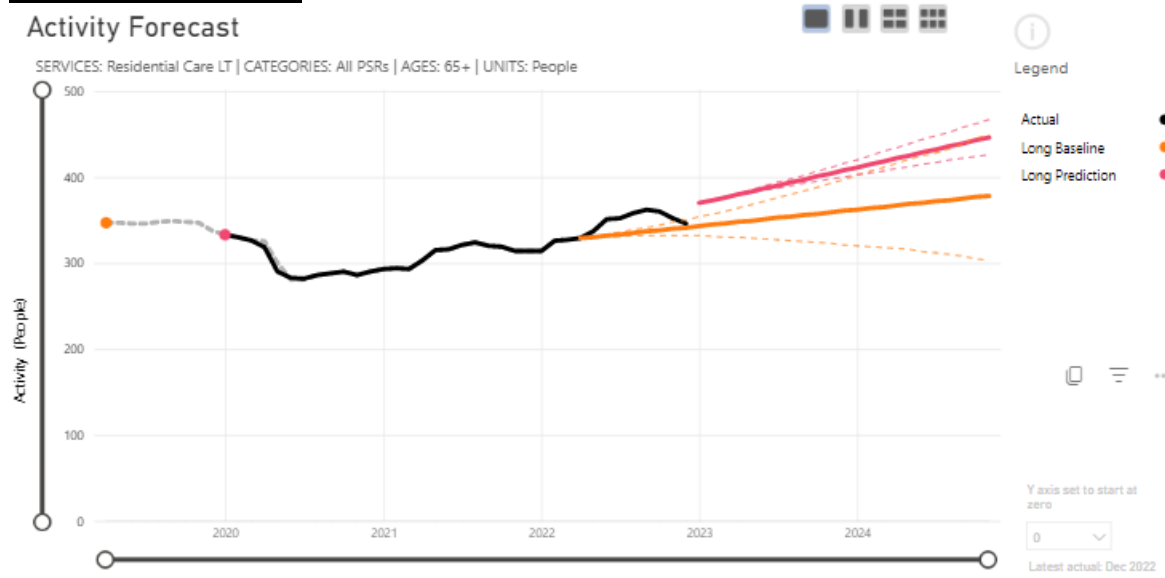


continue meeting local needs and deliver a modern and progressive care model, all whilst funding for the sector has reduced significantly and remains uncertain.

Knowsley has invested heavily in extra-care housing in the borough. This has been a strategic decision taken in order to reduce the number of placements it is making in standard residential care. Our residents are very clear that they want us to develop alternatives to residential care. They want to remain living independently in the community for as long as possible. Therefore, Knowsley Council will continue to make strategic decisions to disinvest in residential care and to reduce the number of permanent admissions.

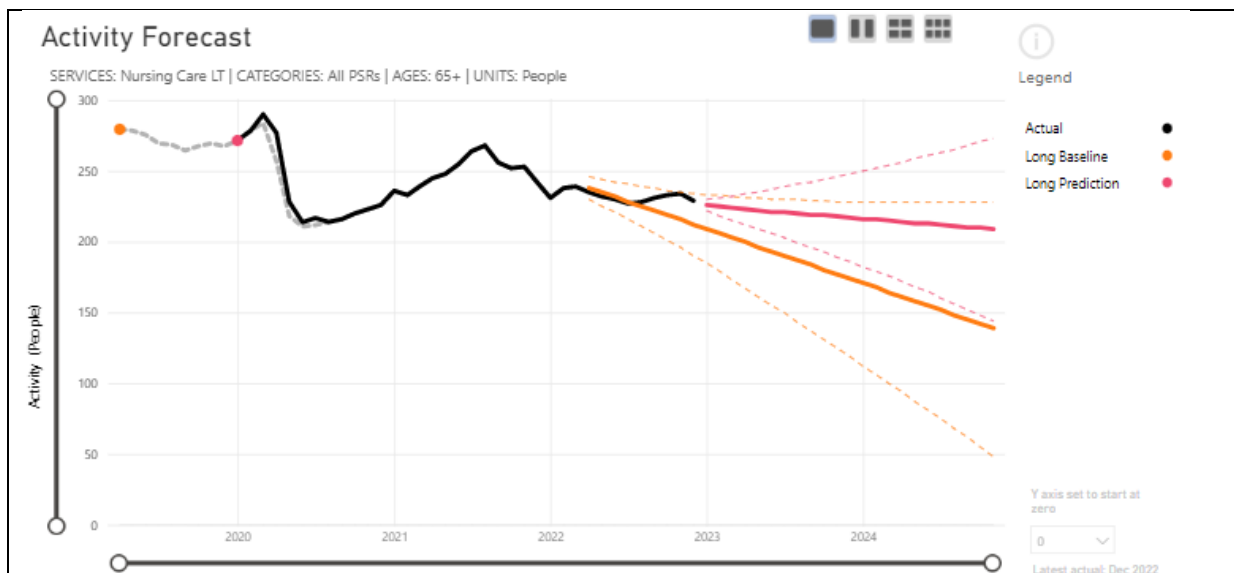
### **Future demand projections and commissioning plans 65+ care home market**

#### **65+ Residential care**



Knowsley Council have previously indicated to the market that residential care is not a preferred model of care. However, the pandemic and in particular, the impact of Discharge to Assess policies, has meant that the Council has not been able to reduce the number of permanent admissions at the rate anticipated in the Council's 2020-2025 Market Position Statement. In fact, the number of placements the Council is making into residential care has increased. This is therefore impacting on the planned trajectory figures. The Council will monitor this trajectory closely over the coming months to ensure that it has sufficiency of provision in the short term whilst our longer-term ambition is to reduce the number of residential care placements.

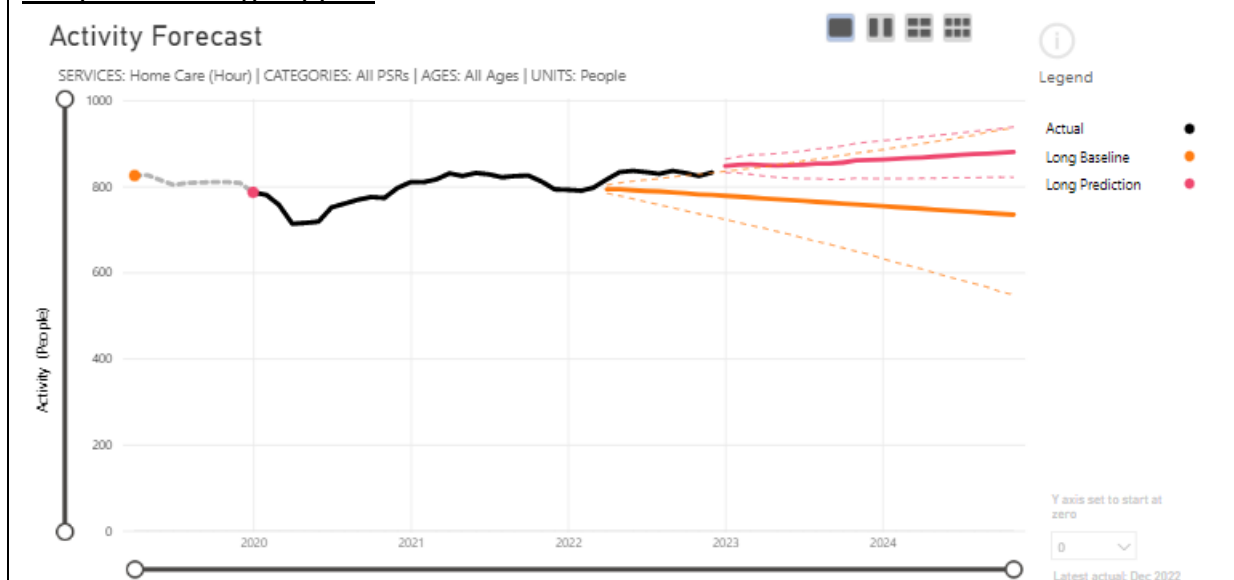
#### **65+Nursing Care**



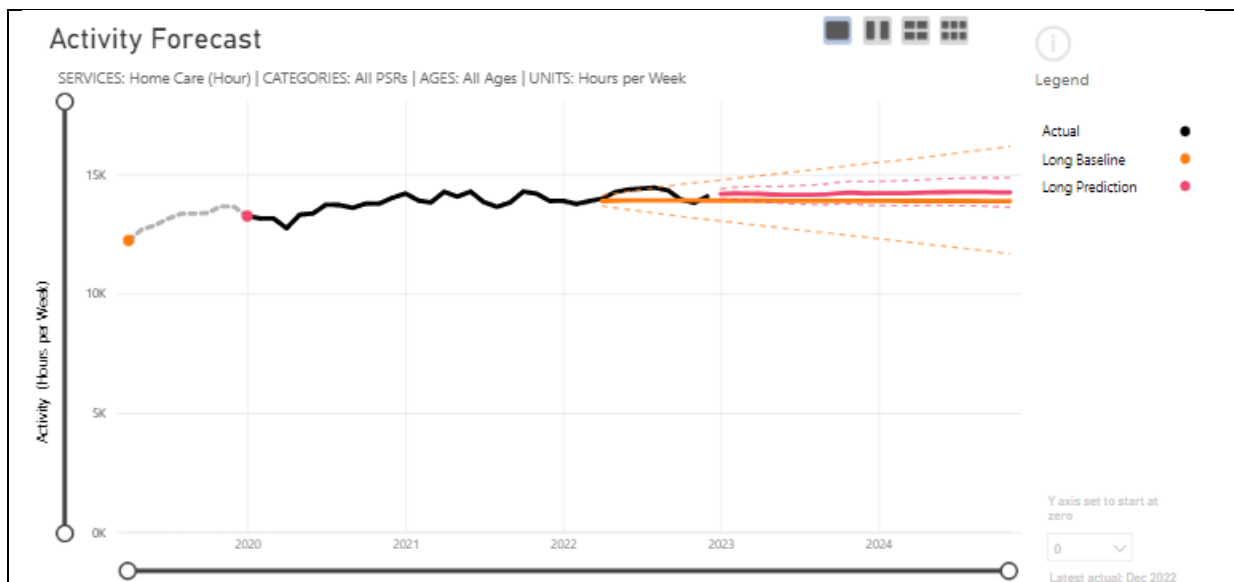
The existing market position statement indicated that the Council would see an increase in the demand for general and dementia nursing over a 5-year trajectory. However, current trend analysis identifies that the demand for nursing has started to slightly decrease. This is an unexpected change in projected demand which could in part be reflecting the reduction in capacity locally and increase in numbers of people waiting to be placed. Further analysis and interpretation of this change will need to be undertaken and reflected in the refresh of the Market Position Statement and future updates of the MSP.

### **Future projections and commissioning plans 18+ homecare market**

#### **People receiving support**



#### **Hours being provided**



Projections show that both the number of people accessing homecare and the volume of commissioned hours will increase over the next three years. This is an expected trajectory due to the ageing population in Knowsley. There will be a need to ensure that the local homecare market is equipped to respond to this increase in demand.

### **Market Challenges Expected to Continue**

As highlighted in the sections above. There are a number of key challenges and risks affecting the social care market which apply to all services. In addition, the rising cost of living and inflationary increases is also having an impact on the sustainability of local care provision.

These are:

- Workforce recruitment and retention issues.
- Quality of care provision.
- Costs of fuel and energy.
- Costs of food – particularly an issue for care home provision.
- Costs of insurance; and
- Costs of CQC registration fees.

The areas below highlight the issues expected within the specific care markets:

#### **65+ Residential and Nursing Care**

- Reduction in the need for residential care provision as a result of better-quality housing options e.g., extra-care housing.
- Risk of market failure for nursing care provision. There is significant shortage of provision both locally and regionally. The current and future sustainability of nursing care markets is a predominant issue; and
- The FCOC exercise does not consider whether the FNC rate paid by the NHS is sufficient to recruit and retain good quality nursing staff in care homes.

#### **18+ Homecare**

- Ability to meet future anticipated service levels / sufficiency of supply.

### **Impact of Funding Reform**

The Government has put on hold funding reform until 2025. However, the Department of Health and Social Care expects councils to continue to plan for its implementation, including the impact that this may have on the sustainability of the Home Care market and Care Homes dependent on income from self-funders.

When section 18(3) comes into force for care home placements, there will be an increase in self-funders who approach the local authority to commission their care at Local Authority rates. There is estimated to be 400 existing self-funders in Knowsley, with an additional 50 self-funders a year in subsequent years. Therefore, in order to sustain the market, the council will be moving towards the outcome of its FCOC dependent upon further financial support from the Government to local areas to ensure that the costs of the reforms are fully met.

In addition, due to the low self-funder base in Knowsley currently and the high reliance on national and regional providers, it is likely that the cross subsidy of Knowsley's care homes by self-funders is being delivered by self-funders in more affluent boroughs regionally and nationally. Therefore, Knowsley will need to be mindful of the outcomes of other neighbouring Local Authorities FCOC exercises when undertaking its own local analysis.

### **Additional Risks - FCOC**

The exercise for FCOC has presented some risks and concerns in relation to data quality and accuracy. Issues are summarised below:

- Responses to the validation exercise (to unpick anomalies) was poor in many service areas and there were a significant number of queries that remained unsatisfactorily resolved.
- Localities across Cheshire and Merseyside and the North West engaged in collaborative discussion to inform their approaches to the treatment of cost items and interpretation of fair cost of care guidance. This work highlighted a variation in costs above what would be expected or that can be explained through local differences.
- Analysis of the data received indicated a significant gap between the level of income home care and care home providers are receiving from the Local Authority and the costs being incurred that was unlikely to be accounted for by the local self-funding population.
- The use of 2021/22 data was also challenging as a result of this being an atypical year of operations due to the Covid Pandemic which impacted on both cost and occupancy levels in many care homes and on the costs of many other care providers.
- Consideration of costs submitted would also need to be adjusted for self-funders, and 1:1 commissioned support above standard fee payments in care homes, additional top up payments from third parties, and take account of respite and short-term care. It was not possible through the fair cost of care exercise to identify and isolate these costs, meaning that the reported current cost of providing care risks being distorted and overstated; and

- Despite messaging from the Department of Health and Social Care and Knowsley Council there was still an expectation that this exercise would dictate fees for 2023/24. The fee setting process for 2023/24 has used this intelligence and given an opportunity for Commissioners to have an open dialogue and the Council is moving in a positive direction, some of the decisions are universal across sector types but some decisions will be taken on a case-by-case basis based on robust evidence. This improved relationship and dialogue will continue to better understand this gap, what is it made up of and how it can be closed overtime.

Benchmarking intelligence is also collated on a regular basis, so Commissioners understand our place in the market, especially our position in the Liverpool City Region (LCR). Benchmarking of current fee rates (2022/23) across the LCR indicates that Knowsley is at the lower end of the spectrum compared to its regional neighbours. Despite additional investment in home care in 2022/23 it is now the joint lowest paying Authority.

This places a risk on workforce recruitment and retention and also the pressures on attracting new providers to the care market. Efforts have been made to adjust this position in the fee setting but the Council will not know the outcome of this until intelligence becomes available of new rates in other areas. Commissioners will assess any potential risks this may pose to the Knowsley care market based and how these can be mitigated through the use of any one-off funding within the control of the department and partners or other flexibility in the fee setting envelope.

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

#### **Use of Funding Allocated to Date**

The 2022/23 Market Sustainability and Fair Cost of Care fund was allocated using the adult social care relative needs formula of which Knowsley received funding of £0.660m. Up to 25% of allocated funding (£0.165m) in 2022/23 can be used to fund implementation activities, which the Council did use to support the requirements of the exercise, including the support of external agencies. The other 75% was used to fund increased fee rates paid to providers in scope, where necessary, and beyond pressures funded by the Local Government Finance Settlement 2022/23.

The Council allocated this grant to, temporarily, fund a further increase in fee rates from 1 April 2022 in line with the Liverpool City Region average levels in order to support market sustainability. The permanent impact of these increases in fee rates will impact the Council's 2023/24 budget alongside further uplifts associated with the fee setting process.

For more detailed sector specific information please refer to sections a) and b).

#### **Consultation with the market**

Whilst Fair Cost of Care has opened up a dialogue with providers, consultation and feedback mechanisms are constantly in use such as regular Provider Forums for Care Homes and Domiciliary Care, contract monitoring meetings and annual fees

consultation activity for so Commissioners can inform and support wider proactive market shaping activity. As part of this year's fee setting, the Council invited providers to engage in a more detailed exercise to explore the current costs of providing care. Ten providers requested meetings across the spectrum of service delivery. This intelligence was then applied to the final fees recommendation and learning will be taken forward into a longer-term future reviews of fee models. This approach of regular consultation fosters improved joint working across the sector with a recent example of the Care Home market coming together to review their responses and contingencies in the event of a power outage.

#### **(a) 65+ care homes market**

##### **Use of Funding Allocated to Date**

For Care Homes, the additional funding allocated was £0.252m.

##### **1-3 Year Commissioning Plans**

- There will be 127 additional units of extra care delivered in the borough by end of 2023. This is projected to reduce demand for standard residential care.
- Working with NHS and regional partners, plans will focus on attempting to address the significant issues in the nursing care market. However, market capacity and sustainability remain a significant risk due to the availability of good quality leadership and nurses needed to provide care. This cannot be resolved in the short term, nor can it be resolved at individual authority level. This is a national risk.
- The Council will continue to invest in its early intervention and prevention offer, and the use of short-term interventions e.g., rapid response and reablement to meet immediate demand from hospital, which it considers will reduce the need for long term care and to right size packages.
- The Council will also seek to provide support to providers with recruitment and retention, such as training programmes for example support to registered managers (as per My Home Life programme); and
- Focus will remain on monitoring and managing market failure – particularly in relation to the oversupply of residential care. Difficult decisions will need to be taken in order to effectively manage the projected reduction in the need for residential care provision locally. The council will work closely with the market to manage the impact of this.

##### **Issues regarding the Financial position of Local Authorities**

Knowsley Council cannot make any firm commitments at this stage about how it plans to move towards paying the fee rates that are reflective of the outcome of the FCOC exercise. This is because there are a number of factors that make this impossible to do at this stage. These are:

- There has been no firm commitment from the government that they will fully fund the gap between what local authorities pay now and the outcome of the FCOC exercise.
- Funding for market sustainability must follow the principles of local government funding of certainty, transparency, robustness, and fairness. There is nothing under this current process that provides certainty given that funding for market

sustainability will not be announced until later in the year. This gives no time for councils to prepare a balanced budget position in light of concern for costs over the short term brought about by high inflation and increasing staffing costs. Funding certainty should be dealt with as a priority by Government to help support local government over the short to medium term.

- The critical issue for local authority funding that Knowsley continues to raise with the Government is that **the overall quantum is inadequate to sustain essential local authority services**. An adequate funding quantum, as recommended by the Local Government Association and ADASS for costs in relation to Adult Social Care and the financial implications for reform, including market sustainability must be guaranteed.
- The Department of Health and Social Care must also address that the Comprehensive Spending Review in 2021 set the quantum for this consultation based on historic care costs. This is not sufficient for the inflation in care costs that have occurred in 2022/23 and are expected in 2023/24 due to the following:
  - Significant increases in wage rates of care staff.
  - Post Covid-19 pandemic operation pressures, such as occupancy in care homes.
  - Deflation of income and assets to be used to fund the costs of care.
  - Fuel and energy inflation

These alone would point to inflation in the region of 25% on the quantum and funding designated for market sustainability, which is already considered to be insufficient.

### **Principles for guiding fee setting processes**

There are a number of principles that Knowsley will adopt to guide fee settings processes when/if funding becomes clearer and is of a level adequate to provide additional funding to the social care sector. These are outlined below:

- The rising costs of living and inflation remain a significant concern for market sustainability in general – fee setting processes will first and foremost need to address any issues that put services and service users at risk as a result of increasing cost pressure faced by providers.
- Workforce recruitment and retention issues – funding would be prioritised to support service areas experiencing particular issues with regards to recruitment and retention which is putting service sustainability at risk.
- Due to the sustainability issues identified within the nursing and dementia nursing care services, funding would be prioritised to support increased capacity in this area. However, as previously noted, the FCOC exercise has not considered the rate paid by the NHS for Funded Nursing Care. Local market information has identified that the FNC rate is not adequate to fund nursing care in care homes.
- The FCOC exercise is limited to care home and homecare rates. Any local fee setting process would need to consider the wider market including extra-care, supported accommodation, day services and personal assistants. This is because fee increases in one area that improve rates of pay would lead to

recruitment and retention issues in other service markets. The Knowsley Council FCOC exercise included analysis of wider Adult Social Care services in order that it could take a more holistic view across the whole market and mitigate some of the potential risks of market destabilisation; and

- Knowsley's Transformation and Reform plan and Market Position Statement make clear that the Councils priorities for adult social care and support is for residents to remain independent in their own homes for as long as possible. Investment in services that promote and deliver this priority will be invested in further and services that do not will not be prioritised for investment. This will mean, for example, that difficult decisions will need to be made about investment in standard residential care markets.

## **(b) 18+ Domiciliary Care Market**

### **Use of Funding Allocated to Date**

For Home Care, this was the application, with effect from 1 April 2022, of an additional 54p per hour of Home Care provided (3.12% increase above the proposed rate for 2022/23), which cost an additional £0.280m funded by the Market Sustainability Fund.

### **1-3 Year Commissioning Plans**

- The domiciliary care contract will be re-tendered in 2024. During 2023 the model for providing domiciliary care will be reviewed to explore alternative delivery models of care that can be used flexibly to meet the needs of an aging population. This will include opportunities to develop partnerships with providers of extra care and sheltered accommodation which will offer value for money, diversity across the workforce and encourage a more responsive and local place-based commissioning approach; and
- Working closely with the local community and voluntary sector, priority will be given to increase the capacity within local communities to support residents with non-personal care tasks that homecare agencies are currently undertaking. These includes shopping, cleaning tasks and community access. This is to free up capacity for home care agencies to focus on care tasks; and
- The Council will continue to invest in short-term interventions e.g., rapid response and reablement to meet immediate demand from hospital, which increases the capacity available to the overall home care market to support its long-term sustainability.

### **Issues regarding the Financial position of Local Authorities and Principles for guiding fee setting processes and moving towards the FCOC**

Issues regarding the financial position of Local Authorities and the principles for guiding fee setting processes outlined above for care homes equally apply to the 18+ homecare market.