

Annexe C
Market Sustainability Plan 2023
February 2023

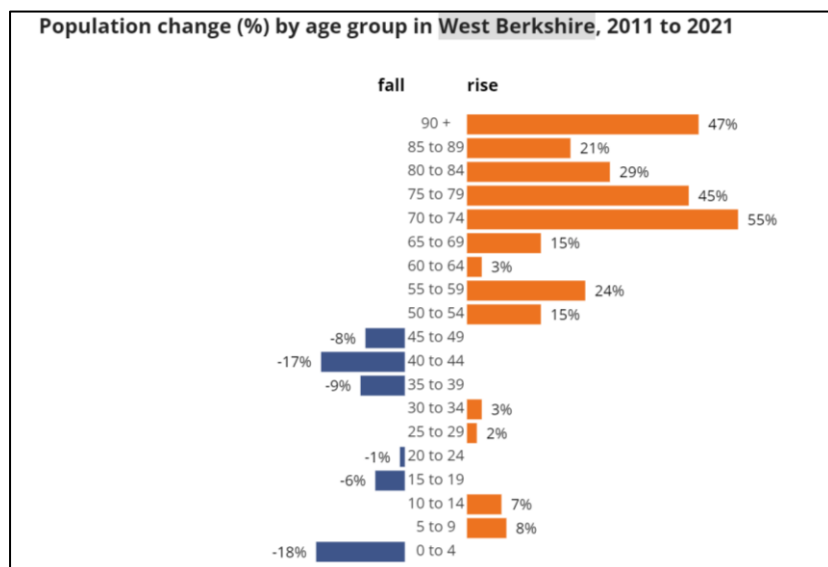
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1. Introduction to West Berkshire

1.1 Population

The 2021 census gives a population of 161,400 for West Berkshire population, a rise of 4.9%. Critical to the future of Adult Social Care (ASC) is the 33.8% rise in the 65+ cohort shown in figure 1

Figure 1



This growth will substantially increase the demand for 65+ care provision over the next three decades.

West Berkshire is one of the most rural unitary authorities in England, with c1/3 of the population living in rural settlements

1.2 Economy, health and deprivation

West Berkshire is a relatively wealthy district at a regional and national level with high employment levels – there are more jobs than economically active residents. 57% of Lower Layer Super Output Areas (LSOAs) are in the top 3 deciles for income. Wage levels are higher than national average, although there is a marked gender discrepancy, with female wages being less than 10% higher than the national average, with low levels of overall deprivation – only 4% of LSOAs are in deciles 1-4 (2019). For health 78% of LSOAs are in the top three deciles.

The key implications for ASC are that West Berkshire has a high proportion of self-funders and the high employment and wage levels mean that competition for staff is high and that recruitment and retention is a constant challenge.

2. Assessment of the current sustainability of local care markets

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

2.1.1 Care Home Provision

West Berkshire has 15 Care Homes for 65+ in its boundaries with a nominal capacity of c712 beds. Current operational capacity is closer to c675 beds due to closures for staff shortages, infection control and refurbishment. A full list including occupancy levels is below.

Figure 2: Care Home Provision and Occupancy March 2023

				08 March 2023		
Home	Current CQC rating	Total Capacity based on latest CQC report	Estimated Current Operational Capacity	Occupancy	% vs Total	% vs Available
1	Good	50	46	42	84%	91%
2	Good	59	59	46	78%	78%
3	Good	62	60	19	79%	86%
4	Good	40	30	59	92%	92%
5	Good	68	66	11	79%	79%
6	Good	80	80	61	90%	92%
7	Outstanding	24	22	31	53%	78%
8	Inadequate	19	16	9	47%	56%
9	Good	59	52	49	83%	96%
10	Good	58	57	60	97%	100%
11	Good	14	14	33	83%	87%
12	Good	64	64	65	81%	81%
13	Requires Improvement	60	60	40	66%	66%
14	Good	37	35	32	86%	91%
15	Good	18	16	15	83%	94%
Total		712	677	572	80%	84%

Only 6% of capacity is in small family run homes. 66% of beds are with 3 providers, which could create a dependency risk, but as one is the council and the other two are Bupa and Care UK, we do not believe there is a major risk, although we are monitoring the sale of the Four Seasons home at Hungerford. Overall, quality is good, with 89% beds in homes rated 'Good'. Quality of care in the West Berkshire social care market is monitored by our Care Quality Team who undertake annual visits to providers, gather local intelligence and review services where care concerns are raised. The team also work closely with our neighbouring authorities to share intelligence and good practice. At present two homes are embargoed and the Care Quality Team are working with providers to address issues.

The majority of homes are in the main urban centres of Newbury and Thatcham. There is limited provision in the east of the district, but this borders Reading which has substantial provision and capacity. Provision is limited in the north as this is very rural and the population density is very low.

We therefore believe that the current supply is sufficient (as shown by the occupancy data table) and we have some available capacity to cover increases in demand. There

is a wide range of provision, including several homes providing high-cost additional services focussed on the self-funder market. Providers weathered the challenges of Covid well, we believe most suppliers are stable. We are aware of proposals for at least three new care/nursing homes.

Figure 3 provides a breakdown of the type of provision.

Figure 3: Amount of provision by type

	08/03/2023	
	Total Beds available	% Occupancy
Dementia Nursing	95	92%
Dementia Residential	229	82%
General Nursing	180	91%
General Residential	224	76%

Please note that the total beds differs from Figure 2, as Figure 2 is updated with local intelligence on actual supply and availability, whereas Figure 3 uses 'raw' NHS Capacity Tracker data

The council uses three extra care settings with 117 residents placed as at 8th March 2023. There is a slight excess of demand over supply for council-funded placements – the current waiting list is c12. A new privately owned extra care scheme has recently opened in Thatcham aimed at leasehold market. We are aware of at least two further proposals for extra care settings currently at planning stage, although these tend to be higher cost.

There is a sufficiency of most types of care provision, except for dementia nursing and for residents with more complex needs/behavioural issues. The Council has developed a proposal for a council-funded dementia nursing setting to address this, which has outline funding in the medium-term plan. The principal risk is a shortage of permanent staff due to wage competition from other sectors, which has resulted in higher costs through the increased use of agency staff, along with some reduction in capacity. We recognise this is a national issue, not just a local one.

2.1.2 Self-Funders

As noted above, West Berkshire has a relatively high proportion of self-funders, due in part to higher wealth. Based on an exercise undertaken in April 2022, we calculate the distribution of beds occupied as below in Figure 4. As a result, we believe there is an effective market, where providers can select their target market. As most settings are part of larger groups with sophisticated financial analysis capability, we assess that they are able to make informed decisions on pricing and profitability.

Figure 4: Breakdown of residents by funding source

	Self Funder	West Berkshire Funded	NHS/ Other
Nursing	119	140	26
Residential	154	114	6

2.1.3 Commissioning practice and fee rates

The bulk of beds commissioned by the council are at spot rates. When a new placement is required that cannot be met through a council home, our Care Placement team will seek three prices from the market. A 'best value' option is selected, considering level of need, cost, location and other factors. Residents' families can choose to pay a 'top-up' if they prefer an alternative setting. As at the end of September 2022, 9 residents (2.3%) paid top-ups ranging from c£40 to c£500/week. Placements are sought across the District but also in neighbouring authorities of Swindon, Wiltshire, Hampshire and South Oxfordshire.

We currently commission and use 27 block general nursing beds in the private market. The current block contract arrangement was let on 1st April and is reviewed annually.

Inflation increases are reviewed on an annual basis. In April 2022 we proposed an increase of 5.6% which was accepted by all care home providers.

Of the 12 private sector homes in our area, we regularly commission from 8, as the remaining 4 achieve their occupancy levels from the self-funder market.

Figure 5: Summary of Care Home Fees

	Average Spot Fee rates all years ¹	Average Spot Fee rates 2022/23 ¹	Average Block Fee rates 2022/23 ²	Median mid-point Self funder fees June 2022 ³	WBC 2022/23 fees as % of Self funder	FCoC Medians ³ (Option 4)
Residential	£961	£1010	N/A	£1155	87%	£1187
Residential with dementia	£994	£1046	N/A	£1364	77%	£1257
Nursing incl FNC	£1120	£1194	£1002	£1404	85%	£1494
Nursing with dementia incl FNC	£1263	£1360	N/A	£1462	93%	£1530

We also commission beds outside our area, based on both need and price. As at the 8th March 2023, 145 (37%) placements are 'out of area' (principally in neighbouring districts of Swindon, Reading, Wokingham and the north of Hampshire).

As shown in Figure 5, average rates for beds commissioned in 2022/23 have risen significantly and are now approaching the average self-funder rates in the Calderwood Consulting review. This demonstrates that what West Berkshire Council pay providers is in line with market prices. Data from March 2023 indicates that West Berkshire pay 11% more for Nursing, 15% more for residential and 9% more for the Domiciliary Care compared with the median of other local authorities in the South East.

We also note that for nursing beds, the self-funder quoted rates are lower than the FCoC. It seems unlikely that homes will be taking self-funders at loss, given the relatively high occupancy rates. It may be that the FCoC costs are slightly overstated and we observe that in some cases the return on capital and operating costs numbers are high.

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

2.2.1 Domiciliary Care Provision

As at 8th March 2023 the council funded c600 65+ domiciliary care packages (excluding extra care) at an annual cost of c£11.9m pa. Nationally the size of the self-funder market for domiciliary care has proved hard to determine and this is also true in West Berkshire, as many providers are reluctant to share data and some providers only focus on Self-Funders. The 2020 Market Positioning Statement estimates the self-funder market to be roughly double this, based on assumptions from Age UK and others.

A significant proportion of support for the 18-64 age group with Learning Disability is provided in Supported Living settings. These have not been included in this analysis, due to the link between care provision and residence, and are out of scope of the FCoC exercise. 140 service users in this group receive direct payments, so the council does not select their provider.

We currently source 65+ domiciliary care provision from c40 providers. c50% of packages are provided by five providers. Most providers are relatively small, with turnover of less than £1m. Most providers that have been reviewed by CQC are rated 'Good' with three exceptions which are rated 'Requires Improvement'.

We recognise this as a concentration risk. We have frequent conversations with these key providers and monitor their financial performance. Our commissioning teams are constantly seeking new providers. Three new providers have been engaged in 2022.

Since the start of 2023, the number of clients awaiting a care package has been at or close to zero. This indicates that our fee rates are attractive to providers in a market which has a strong self-funded sector.

2.2.2 Commissioning practice and fee setting

West Berkshire Council have an Approved Provider List (APL) which was last tendered in October 2019. We work with the providers to understand the market rates, therefore we know that all domiciliary care fees are in line with market rates. All domiciliary care fees are in line with market rates. The rates vary depending on the provider and the demographic area of West Berkshire.

All successful providers within the APL are given priority on packages, however if these hours are not filled by an APL provider, we would then seek spot purchases from providers to deliver the outstanding hours. These are commissioned at market spot rates.

Spot purchased provider rates are negotiated in line with local and market rates and on a case by case basis by our Care Placement Team.

As noted in section 1, approximately 1/3 of the population of West Berkshire is rural. We reflect this by having higher rates for rural areas, reflecting the additional complexity and cost of meeting needs in these area.

Figure 6: Domiciliary Care Fees and FCC Medians

Current estimated average hourly rate	£23.28
FCC Median	Option 1 £26.12 Option 2 £27.19
SE ADASS Median	£22.18

We are aware that the response rate covered less than half of providers and packages and responses on average came from higher cost providers. For example our largest (and one of most efficient) provider chose not to complete a submission, despite repeated requests. We see the FCC medians as a useful additional piece of data to inform our market pricing discussions with providers in accordance with the guidance.

3. Assessment of the impact of future market changes, including funding reform, over the next 1-3 years, for each of the service markets

At present, with a high number of self-funders, only approximately 20% of people seeking care contact the Council, as most assume they will not be eligible for support. We expect that the new proposals will increase this to c80%.

The impact of the Fair Cost of Care is hard to estimate. Figure 5 shows that the price differentials for self-funders in care homes in our district are c7-23% above average council-funded placements. However for example, for a general nursing placement c40% of the council fees are covered by FNC and client contributions, so assuming these remained unchanged, the council's contribution would increase by c34% as illustrated below:

Figure 7: Potential impact of fee uplifts for nursing placements through FCC

	Current position	Assume Equivalent to current Self-Funder fees (Fig 5 nursing mid)	% Uplift to Self-Funder level	Assume equivalent FCC median	Uplift to FCC Median
Council contribution	£727	£976	34%	£1045	44%
FNC	£209	£209	0%	£265	27%
Average client contribution	£184	£184	0%	£184	0%
Total	£1120	£1433	25%	£1494	33%

We note that the Median Nursing costs are c£265/week, so current FNC rates would need to be updated to address this. We are now aware of any proposals on this issue, but the model above assumes this is addressed. It does not model any changes to client contributions.

The decision to delay funding reform may reduce the short term financial pressure. In the draft MSP published in October 2022, we estimated that funding reform would increase costs by up to c£17m pa and this would have been offset by only £2.1m pa of additional funding. Nevertheless, our ability to further increase fee rates will be dependent on the level of central government funding available.

4. Plans for each market to address sustainability issues identified, including how fair cost of care funding will be used to address these issues over the next 1 to 3 years

4.1 Care Home Market

We are confident that the care home market in West Berkshire is vibrant and sustainable in the medium to long term. Current occupancy levels are strong, but there is some capacity in the market. We are aware of a number of proposals that will increase capacity, including contributions from West Berkshire Council. Whilst a local provider failure cannot be ruled out, most provision is by medium/large groups. The council continues to place clients outside of the West Berkshire boundary in neighbouring authorities such as Hampshire, Wiltshire and Swindon.

In terms of commissioning and fee setting, as noted in section 1, the Council does not set a 'usual rate' for purchasing and the majority of beds are priced by providers bidding for placements at a price that they assess is appropriate. As shown in figure 5, the current council fees are only c10-15% below the average of self-funder fees as reported to us by providers in April 2022. This 'discount' is reasonable in the context of a market where the council purchases less than 50% of occupied private care home beds. Demand is such that some providers choose not to engage with the council, indicating that there is a genuine market. We do not therefore foresee any fundamental change in our approach, and we will continue to price to market, as we believe this already provides a fair return for providers (as they are free to bid in a dynamic market) and ensures we achieve good value for public funds. We will revisit this approach should the reforms result in a less dynamic market with fewer self-funders, but given the wealth and demographics in West Berkshire, we do not expect this to happen within 1-3 years.

We have recently increased our number of block beds and will continue to commission a small amount of block beds. These beds are procured on an annual basis. We will use the Fair Cost of Care data as a reference point when negotiating with those providers to provide a more robust approach.

We will continue to engage with current providers to assess demand and proactively explore new provision opportunities both internally and with private sector and third sector organisations. We are also seeking complementary models to improve care and manage budgets. We have an active 'Shared Lives' programme and will continue to encourage new extra care providers into the district, especially emphasising the need for these settings to meet the needs of residents as these needs become more complex.

4.2 Domiciliary Care market

Our assessment is that the domiciliary care market in our district is less stable than the care home market. This is in the main due to recruitment and retention issues, plus our rural geography which exacerbates the impact of rising fuel costs and travel times.

We are regularly reviewing our market and seeking to encourage new providers to enter the domiciliary care market in West Berkshire. Our APL contract ends in 12 months' and we are reviewing whether to retender this. Under current market conditions we expect to be reliant on spot purchasing to deliver the majority of our domiciliary care hours, which does mean that fees reflect the market price at that time. We will continue to engage with individual providers regularly and also as a group – for example we held a Provider Forum on 30th September 2022 that was attended by over 1/3 of our domiciliary care providers, where we shared some initial learnings from the FCoC exercise. We have a further provider forum scheduled for June 2023.

As noted in section 2.2.1, we are able to meet all current demand for domiciliary care with a near zero waiting list. The data shows we pay above the regional and national median and this, combined with a recognition of the additional costs of a rural district and a successful proactive effort to engage new providers gives us confidence that we are stabilising the market and providing an acceptable market rate of return to providers, within the constraints of our funding envelope.

We would expect the bulk of any additional funding to focus on raising wage rates for domiciliary care over the next 1-3 years, to stabilise supply and improve recruitment and retention of the sector for providers.

4.3 Inflation

As noted in section 2.1.3, our fee rates are already significantly higher than those of our neighbouring authorities. We will attempt to raise fees towards the FCC level, providing that sufficient funding is made available by central government. The biggest market threat is rising inflation which has the potential to force more domiciliary care providers to exit the local market. To combat this, West Berkshire gave all social care providers a 5.6% uplift in April 2022 and will be increasing by 2.7% this year, giving a compound increase of 8.4% over two years. With inflation forecast to fall back towards long term trends in 2023/24, we believe that this combination of an above market increase in 2022/23 and fee rates at a high level compared to national and regional medians is fair, given the overall constraints on our revenues.

4.4 Growing and Retaining the Workforce

The biggest challenge over the next 3 years is recruitment and retention. We held a well-attended provider forum on 30th September 2022 and the consensus was that this issue was at the heart of the industry's problems. It was recognised that some initiatives such as overseas recruitment may help, but the process was described as costly and needed the involvement of solicitors. Providers viewed wage levels as the prime issue, and we would expect any additional funding to focus here, as noted above.

West Berkshire has strengthened its HR resources and campaigns to boost the recruitment of social workers and care staff for our own settings.

We will continue to work with providers to promote care work as a career and encourage new carers into the market. We will seek to explore ways to create a centre of excellence for care training with Newbury College to encourage young people to choose care as a career.

We will also seek out alternatives that will support care provision in the region and reduce demand on care staff resources. For example, we are developing a 'Homeshare' model and investing in providing technology-enabled care to service users.