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| **Introduction** |
| This document provides a Market Sustainability Plan in line with DHSC requirements for the Market Sustainability and Fair Cost of Care Fund and exercise. This Statement only covers Care Homes (65+) and Domiciliary Care (18+).  This document should be read alongside our existing [Market Position Statement](https://www.sheffield.gov.uk/sites/default/files/2022-10/market-shaping-statement-2022.pdf) and our .  [Market Oversight and Sustainability Delivery 23/24](https://democracy.sheffield.gov.uk/documents/s57311/17.%20Appendix%201%20Market%20Sustainability%20Delivery%20Plan%20Jan23.pdf) which cover the full social care market. |
| **Section 1: Revised assessment of the current sustainability of local care markets** |
| **Overview**  The combined value of the care home (65+) and domiciliary care (18+) markets in Sheffield is estimated at £223m in 2022/23, comprising £132m for care homes and £91m for domiciliary care. The estimated breakdown by funding source is: 43% local authority, 42% private and 15% NHS. In this mixed market, private spending is almost equal to council spending, mainly by virtue of the substantial private pay premium for care homes.  The principal challenge to the sustainability of independent sector providers, which supply 100% of care home and domiciliary care services in scope, is access to sufficient skilled labour at affordable pay rates. This is compounded by uncertainty and price inflation in other more minor elements of providers’ supply chains, such as energy and insurance.  In common with all other council areas in England, care providers in Sheffield are experiencing major workforce challenges in terms of recruitment and retention, staff turnover and vacancies. While the Yorkshire and Humber region rates below the English average in indicators of workforce stress, the absolute levels of stress are nevertheless high. Skills for Care data from August 2021 show a vacancy rate of 5% in adult social care (England: 9%) and a staff turnover rate of 29% a year (England: 37%). The position is likely to have deteriorated in the year since. Elevated staff turnover and vacancy rates arise from long-established factors including unattractive pay and terms of employment, low status, and undeveloped career pathways. Long-term issues have been exacerbated in the last year by Brexit, limitations on immigration and general labour shortages as the economy emerged from Covid, leading to a candidates’ market in which social care finds it difficult to compete with retail, hospitality and other low-pay sectors. Workforce issues impact across the board on the delivery and effective capacity of both care home and domiciliary care services. Shortages may constrain the ability of care providers in Sheffield to respond to demographic driven demand growth in the future.  Limited public sector funding, which accounts for 43% of market value, is the other key factor. This and other sustainability issues are considered for the care home and domiciliary care markets separately in the following sections.  Sheffield City Council is a major, but not a dominant commissioner, in the mixed, local social care market. In this summary market sustainability plan, it is important to recognise that the council’s ability to shape and sustain the market is constrained by factors over which it has no, or limited, direct influence, as set out in Appendix Table 1. This applies particularly to key workforce issues.  **How have we engaged with the market**  To engage with the market and encourage responses to the FCoC exercise we have employed a variety of methods including:   * Regular engagement with Sheffield Care Association * Regular communications to promote and advise * Small planning group formed to plan process and choose consultant * Contracted organization followed up with regular phone calls of support * Targeted follow up calls * Program of engagement with homecare providers to remodel provision including the fair cost of care. * Consultation with Care Homes on 23/24 Fee rates and challenges   **Local authority comparators**  The latest available SALT statistics[[1]](#endnote-2), show that Sheffield’s utilisation of services per 100,000 population over 65 is above the regional and national averages for nursing and residential (65+) as well as domiciliary care (18+), the latter measured by the number of adults funded through managed personal budgets.  Sheffield’s high rate of council-funded social care activity is in part attributable to the city’s higher than average deprivation index. When compared with similar cities (Birmingham, Bristol, Leeds, Liverpool, Manchester. Newcastle and Nottingham), with similar deprivation, Sheffield has a relatively low rate of utilisation of nursing and residential care and a relatively high rate of utilisation of domiciliary care.  Sheffield’s ratio of managed personal budget recipients to nursing/residential care placements is, at 1.9: 1, the highest of all comparator authorities in Appendix Table 2.  Sheffield City Council wishes to continue this position of supporting as many people as possible to live in their own homes. |
| **1A: Assessment of current sustainability of the 65+ care home market** |
| **Market data**  A summary of supply side and demand side data is presented in Appendix Table 4. Key items include:   * Bed capacity for older people is higher in Sheffield (78 beds per 100,000 75+ resident population) than in England (71 beds per 100,000). * Care home stock in Sheffield is predominantly 1st generation new-build. Some 81% of bed capacity is in purpose-built homes (England: 54%), but only 25% of capacity was first registered after the year 2000 (England: 31%). * Nursing homes in Sheffield account for 61% of nursing and residential capacity (England: 53%) many of the nursing homes are dual registered and people with residential as well as nursing needs, 62% of the capacity are residential beds and 38% nursing. * For-profit care homes account for 77% of bed capacity (England: 84%). The not-for-profit share (23%) is higher than in England (16%) mainly due to the presence of Sheffcare in the Sheffield market. * The distribution of care homes by size (beds) and ownership type in Sheffield is similar to that in England (Appendix Table 5). * The care home sector is competitive (or fragmented, from another perspective), Table 6. The largest group is Sheffcare, a registered charity formed in 1993 through a transfer of homes formerly operated directly by Sheffield City Council. Sheffcare has a 13% share of Sheffield’s bed capacity, well below the Competition and Markets Authorities 25% benchmark for ‘monopolistic tendency’. * Overall demand from all funding sources, at 65 occupied beds per 1,000 75+ population in Sheffield is a little higher than in England (60 occupied beds per 1,000 75+ population). * Council funded demand (31 per 1,000) is higher than in England ((26 per 1,000). * Private payers account for an estimated 37% of care home residents in Sheffield (England 47%).   **Sufficiency of supply to meet demand:** Sheffield City Council considers that care home bed capacity is adequate, currently and for the foreseeable future, though the council would wish to see some of the existing stock re-positioned to offer more specialist care. The council considers there is currently an excess of generic residential home capacity.  **Council-paid fee rates:** Based on the latest available iBCF data for 2020/21[[2]](#endnote-3), Sheffield has one of the lower fee rates for residential and nursing care providers, Appendix Table 3.  In 2022/23, Sheffield City Council began the financial year with a standard rate of £547 per week for most older people’s residential or nursing care. Following the completion of the Fair Cost of Care Exercise and allocation of the Market Sustainability and Fair Cost of Care Fund, this standard rate was increased to £565 per week and backdated to the beginning of the financial year.  The majority of placements are made at the standard rate. The remaining placements are at higher rates, taking the average (mean) council paid fee for residential care up to £611 per week in 2022/23, compared with an estimated private pay rate of £820.  The profitability of the care home sector across Sheffield is not transparent because most group operators are not confined to Sheffield and most providers do not post profit and loss accounts at Companies House. There are just two operators which can be cited as markers of profitability specific to Sheffield. One gave operating profits of 6-9% of revenue while the other returned operating profits of 5% of revenue in the year ending March 2020[[3]](#footnote-2)[[4]](#footnote-3).  **Market diversity:** The principal care home market diversity deficit in Sheffield is a lack of sufficient specialist provision for more people with complex behaviours including dementia. There is an excess of generic residential care stock, evidenced by relatively low occupancy rate (79%) recorded by Capacity Tracker in March 2023 for this segment of the market.  **Quality of care:** As of October 2022, 86% of Sheffield’s care homes for older people were rated Good or Outstanding at their most recent inspection, which is significantly higher than the 78.4% for corresponding homes across England.  **Workforce:** As noted in Section 1, workforce represents the principal sustainability challenge to Sheffield’s care home (65+) sector. The council is leveraging it’s available capacity to influence the local labour market as set out in our [Care Sector Workforce Development Strategy](https://democracy.sheffield.gov.uk/documents/s58217/9.%20Appendix%201%20-%20Sheffield%20Care%20Sector%20Workforce%20Development%20Strategy.pdf) and [Delivery Plan](https://democracy.sheffield.gov.uk/documents/s58218/9.%20Appendix%202%20-%20Sheffield%20Care%20Sector%20Workforce%20Development%20Strategy%20Delivery%20Plan.pdf).  **Inflationary pressures:** 22/23 has seen levels of inflation not seen for decades. This has placed a significant burden on businesses nationwide including in the care sector, and a cost-of-living crisis for many staff working in sector. As a result of these levels of inflation the government announced an increase in the National Minimum wage of 9.7%. Whilst this increase may partially ease the cost-of-living burden on workers in the sector it further increases the pressure on the businesses paying the wages. Consultation with the care home market revealed that it is not just the average increase in cost pressures that is increasing but that there is also increasing variation from provider to provider. Increasing Agency Costs and Energy prices were two of the greatest concerns amongst providers. However, the impact that they have from provider to provider varies considerably. For example, some providers are still on long term fixed contracts for energy bills and are not expecting to see an increase in 23/24 whilst others whose fixed term has recently come to an end may see an increase of up to 300% depending on when they had previously fixed their rates. Similarly, some homes do not use any agency workers, whilst others have a heavy reliance on agency workers due to difficulties with recruitment and retention. These providers are likely to face dual pressures of not only having to use agencies more but also in what they are asked to pay for it due to increased demand and increases in the National Minimum Wage. Analysis completed by the Council suggests that the average care home will see its costs increase by 9.8% and uplifts have been granted to meet this pressure.  Additionally, to further close the gap between the current standard rate and the median FCOC rate output in the 22/23 exercise, an additional £10pw on top of the 9.8% increase has been granted.  For providers whose cost pressures exceed any uplifts granted, or who face high levels of vacancies, there is likely to be an increased risk of failure or a reduction in their ability to re-invest.  **Delays in Social Care Reform:** Had section 18.3 of the Care Act come into effect this would have substantially reduced providers ability to achieve cross-subsidisation and may have led to some business models becoming unsustainable. The delay in the implementation of these reforms has led to a delay in this risk. We do not expect significant change in the supply and demand for Care Home placements as a result of the delays in Social Care Reform. |
| **1B: Assessment of current sustainability of the 18+ domiciliary care market** |
| **Market data**  There is a paucity of market data on domiciliary care services in Sheffield, and nationally. A summary of such supply side and demand side data as exist is presented in Appendix Table 7. Key items include:   * The great majority (95%) of domiciliary care services operating in Sheffield are for-profit (England: 87%), the remainder being not-for-profit. * The average scale of services is quite modest. There are an estimated 34 service users per domiciliary care service provider in Sheffield (England: 39). These statistics are estimated by aggregating the number of services users stated in CQC inspection reports. * Based on service users per service, as calculated from CQC inspection reports, it is estimated that there are a total of about 3,200 domiciliary care service users in Sheffield (all funding sources). * This is equivalent to 10 domiciliary service users per 1,000 population aged 18+ in Sheffield (England: also 10%). * The council supports 2,370 service users with domiciliary care packages (October 22). * By subtraction, there are an estimated 860 private payers and NHS-funded domiciliary care service users, being 27% of service users from all funding sources (England: 39%), though this estimate may be subject to substantial error. * The domiciliary sector is competitive (or fragmented, from another perspective). City & County Healthcare Group Ltd, the national domiciliary care market leader, is believed to have about 260 council-funded service users in Sheffield, giving it an 11% share of Sheffield’s council-funded domiciliary care market. There are four other providers with a significant (>5%) market share.   **Sufficiency of supply to meet demand:** Sheffield City Council considers that the number of domiciliary care services is adequate, currently and for the foreseeable future, though the services struggle to recruit and retain staff in the present economic climate, and the council would wish to see some of the existing services re-positioned to offer more specialist care. There are a large number of homecare providers in Sheffield. The Council contracts with over 85 providers, 35 of which are operating within our Framework contract.  The homecare market in Sheffield has stabilised, and we are seeing a sustained reduction in the number of packages waiting and improved timeliness of pick up. We are also continuing to support hospital discharge well and have more providers keen to support this pathway.  **Council-paid fee rates:** The profitability of the care home sector across Sheffield is not transparent because group operators are not confined to Sheffield and the great majority of providers do not post profit and loss accounts at Companies House. There are no operators which can be cited as markers of profitability specifically in Sheffield.  Sheffield City Council rates for homecare have historically been comparable with regional rates. In the current contract, there are variable rates across the city. The increase to £21ph will therefore represent a variable percentage increase for different contract areas.  **Market diversity:** As with care homes, the principal domiciliary care market diversity deficit in Sheffield is a lack of sufficient specialist provision for more people with complex behaviours including dementia.  **Quality of care:** The CQC ratings of Sheffield’s domiciliary care services are below average. As of October 2022, 81.1% of services with a rating were rated Good or Outstanding at their most recent inspection (England: 85.1%).  **Workforce:** As noted in Section 1, workforce represents the principal sustainability challenge to Sheffield’s domiciliary care sector. Achieving a sustainable and sufficient workforce continues to be a key pressure for Homecare providers. High staff turnover and workforce instability impacts negatively on the experiences of people receiving home care; increases changes in support provision; causes delay in support pick up; reduces the quality of care; and increases provider’s costs. |
| **Section 2: Assessment of the impact of future market changes (including funding reform) between now and October 2025, for each of the service markets** |
| **Care homes**  Inflationary pressures are placing considerable pressure on care home providers and the ability of the local authority to react to and support to new and continuing challenges. Such is the extent of the recent levels of inflation, that funding intended to close the gap between fee rates and the median cost of care has had a reduced impact. This will limit care home providers’ abilities to address risks and issues that they have been reporting in recent years over the course of 2023/2024. Whilst the delay of clause 18 (3) delays a potential further negative impact for providers in Sheffield, the sector remains at risk, and we consider that there may be care home closures as a result.  However, with the inflation rate predicted to fall to 2.9% by the end of 2023, [Economic and fiscal outlook - March 2023 - Office for Budget Responsibility (obr.uk)](https://obr.uk/efo/economic-and-fiscal-outlook-march-2023/) thereremains some potential to begin to make larger steps to sustainability and improvement in the Market.  It is unlikely that enough progess will have been made to eliminate the future risk of clause 18(3) should it be implemented in October 2025 as now planned. This risk exists in all areas of England where there is a gap between the average fees paid to providers and the median fair cost of care, where council resources may not be adequate to fill the gap, and where there is high take-up of clause 18(3) following its potential implementation from October 2025. The council does not yet have sufficient evidence to fully quantify the risk from 18(3) implementation. It will study the evidence as it emerges from the trailblazer authorities.  **Homecare:**  Section 18(3) of the Care Act has already been implemented for homecare services, so there should be no further impact on demand from this source over the next 3 years. The lifetime cap on care costs, if implemented from October 2025, is anticipated to lead to more private payers engaging with the Council, if only to record their expenditure as they move towards the lifetime cap. It is estimated that one-fifth of adults receiving domiciliary care in Sheffield are private payers. Engagement with the Council may lead to a small rise in numbers in receipt of Council funding, but the Council is unable to quantify the potential impact at present. |

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| **Section 3: 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, including fee rate issues where identified.** |
| 1. **65+ care homes market**   Sheffield City Council priortised a general uplift to standard rate care homes using Fair Cost of Care funding for 2022/2023 and 2023/24 in light of the ‘fee gap’ between what is paid now (22/23) and the median cost of care homes as calculated in the fair cost of care exercise.  Sheffield’s FCoC grant for 2022/23 was £1.826 million, of which 75% (£1.370 million) is available for additional funding of care services. This was used to provide an £18 per week uplift to standard rate homes, backdated to 11/4/2022.  Following consultation, a revised fee rate of £630 per week was granted for 23/24,  Any uplift will go a small way to addressing the risk to market sustainability from council fees. It will not, however, address the principal current sustainability risk, which is access to an adequate workforce.  The council’s plans to address sustainability issues are set out in the following documents:   * [Care Sector Workforce Development Strategy](https://democracy.sheffield.gov.uk/documents/s58217/9.%20Appendix%201%20-%20Sheffield%20Care%20Sector%20Workforce%20Development%20Strategy.pdf) and [Delivery Plan](https://democracy.sheffield.gov.uk/documents/s58218/9.%20Appendix%202%20-%20Sheffield%20Care%20Sector%20Workforce%20Development%20Strategy%20Delivery%20Plan.pdf). * [Market Oversight and Sustainability Delivery 23/24](https://democracy.sheffield.gov.uk/documents/s57311/17.%20Appendix%201%20Market%20Sustainability%20Delivery%20Plan%20Jan23.pdf) * [Transforming Care Homes for the Citizens of Sheffield](https://democracy.sheffield.gov.uk/documents/s57306/10.%20Report%20to%20Committee%20-%20Care%20Home%20Transformation.pdf) and the associated [Care Homes Commissioning Plan](https://democracy.sheffield.gov.uk/documents/s57307/10.%20Appendix%201%20-%20Commissioning%20Plan%20Care%20Homes.pdf) and [Care Home Plan on a Page](https://democracy.sheffield.gov.uk/documents/s57308/10.%20Appendix%202%20-%20Care%20Home%20Transformation%20High%20Level%20Plan.pdf)  1. **18+ domiciliary care market**   In line with our commissioning plan for domiciliary care, a fee rate of £21ph has been granted for 2023/24. This is within the confidence intervals of the median cost of care for 2022/23 and as we move away from the current model for homecare to the Care and Wellbeing Model, the City will benefit from a renewed market, with existing and new providers delivering an outcome focused contract, focussed on neighbourhood/area delivery and building community connections for the benefit of people in the City.  Fair Cost of Care Funds for 2022/2023 were used to provide an early step towards the rate of £21ph by providing a 20p per hour increase in the fee rate paid to the 18+ domiciliary care market.  The model is anticipated to improve recruitment and retention with reduced distances to travel for staff, opening up employment possibilities to those who don’t drive, and being more efficient for those who do.  Recent procurement for our new Care and Wellbeing homecare model, at £21ph saw a high interest from both existing and new providers. We anticipate that our transition to the new model and contracts will further improve and stabilise homecare provision in the City in the following ways:   * + The new model of homecare moves towards a community integrated care and wellbeing approach, collective Practice Standards across Adult Social Care and Commissioned services will seek to drive practice that is outcome focused, strength-based, community connected, and person led so that all social care support is focused on enabling people to live independently, live the life they want to live and have positive experiences of care.   + Improved accessibility, stability, and continuity of care provision by moving to an increased contract duration and guaranteed payment to providers for a proportion of the anticipated volume, supporting business continuity, forecasting, and planning.   + Geographical alignment of support with a single provider operating in each the 16 contracted patches, operating as equal partners within multidisciplinary and collaborative working arrangements across health and social care. It is anticipated that this will strengthen partnership working, improving monitoring arrangements, supporting provider efficiencies and sustainability, and reduce travel for care staff - and in doing so reduce our carbon footprint.   + Moving away from a time and task model (where the focus is delivery on requested hours) to an outcome-based model where care is focused upon the priorities and goals a person wants to achieve to improve their wellbeing and independence. Providers will be asked to demonstrate – including through Trusted Reviews (Care Plans) - how they have enabled an individual to improve their wellbeing and live more independently and in doing so reduce the need for care and support.   + Changes to the payment and charging model. Switching from payment based on minutes of care delivered to payment based on planned care will shift the emphasis away from time and task; it will give providers more certainty and people more timely and more reliable invoices; and it will reduce complexity and improve efficiency. People in receipt of care will also be charged on planned hours.   + Working in partnership with providers to ensure a robust workforce development plan which ensures the recruitment and retention of a diverse care workforce so that individuals are supported by a workforce that reflects the population of Sheffield, reflects their cultural preferences, and delivers culturally appropriate care. We estimate that reducing turnover to 15% would save providers over £2.7 million in recruitment costs over the course of the contract.   The council’s plans to address sustainability issues are set out in the following documents:   * [Care Sector Workforce Development Strategy](https://democracy.sheffield.gov.uk/documents/s58217/9.%20Appendix%201%20-%20Sheffield%20Care%20Sector%20Workforce%20Development%20Strategy.pdf) and [Delivery Plan](https://democracy.sheffield.gov.uk/documents/s58218/9.%20Appendix%202%20-%20Sheffield%20Care%20Sector%20Workforce%20Development%20Strategy%20Delivery%20Plan.pdf). * [Market Oversight and Sustainability Delivery 23/24](https://democracy.sheffield.gov.uk/documents/s57311/17.%20Appendix%201%20Market%20Sustainability%20Delivery%20Plan%20Jan23.pdf) * [Recommissioning Homecare Services](https://democracy.sheffield.gov.uk/documents/s52836/Report%20for%20AHSC%20Committee%20-%20Care%20and%20Wellbeing%20Services%20-%20Final%20Version%2010%20June%202022.pdf) |

1. [↑](#endnote-ref-2)
2. [↑](#endnote-ref-3)
3. Both exclude the Covid year on 2020/21, where margins were buoyed by government grants [↑](#footnote-ref-2)
4. In the Fair Cost of Care report for care homes, which accompanies this Market Sustainability Plan, the benchmark Return on Capital for care home providers has been set at 6% of care home asset values and the Return on Operations [↑](#footnote-ref-3)