# Annex C: City of London Corporation - market sustainability plan

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

### a) Assessment of current sustainability of the 65+ care home market

The City Corporation provides local authority services to a resident population of approximately 8,500 residents. The resident population is growing, with the adult population aged 65 years or above increasing by 16 per cent over the last ten years. The scope and complexity of demand for care is amplified by very high life expectancy levels: male life expectancy is 86.1 years and female 89.0 years, compared to 80.2 and 84.0 respectively for London.

Unlike other areas of small population, the City is surrounded by large, densely populated boroughs with significant and diverse care markets. Where the Corporation commissions (i.e. homecare) it attracts market supply from providers with proximate delivery, therefore benefiting from a marginal cost model based on a wider economy of scale than would otherwise be achievable.

The Corporation has responded to a consistent level of demand for residential and/or nursing home care over the last 5 years. It is expected that 20-25 placements are current at any one time, with an annual placement rate of around six to eight. The growth and ageing of the residential population have not led to a correlating increase in demand for residential care provision. Latest trends – following the covid pandemic – have seen a fall in demand. The Corporation's strategic commitment is to support enable people to remain at home, which both shapes the demand for homecare, but also informs a more complex need, and costly delivery, when placement is required.

The volume of placement required, the needs arising, and the aspirations and choices of the City's population when they face care, drives a responsive, person centred and flexible purchasing approach, which the Corporation can pursue without the encumbrance of contractual limitations. The scale and variance of demand for care is such that resilience cannot be prudently or viably secured through block contractual arrangements of residential care models.

These factors also mean that market or local authority provision of residential care is not viable or sustainable within the authority's boundaries. Therefore the Corporation commissions in other local authorities. There is no prevailing geography of placements. While there is a London bias, current placements also include Northumberland, Stockport and Kent. Client needs and choices – not market conditions – drive this spread.

The resilience, sufficiency and scope of market provision available to the Corporation is broadly shaped by demand and supply factors beyond its direct influence. However, the flexibility with which the Corporation can purchase mitigates the risk of insufficiency. The Corporation is not reliant on any single residential or nursing home care provider, and therefore without that point of failure.

Demand is forecast to remain low, and with the benefit of a wider market of supply, it is considered that there is sufficiency of supply to ensure continuity and availability of care for City residents.

The Corporation is committed to secure both quality and value in its placements. However, it acknowledges that it does not shape the market of provision, or price, in the way that purchasers of scale can. It does not benefit from economies of scale, or offer the value of business, at which published rates can secure cost control or drive down provider rates. This is a challenge to the authority's budget setting and controls, but provides an agility in the market, and approach to fees, which provides stability of, and access to, placements.

The unique circumstance of the Corporation has informed its agreed approach to the cost of care exercise, based on the median rates reported in local authority areas in which it places. It has provided a methodology, but it should be noted that pattern and geography of placements experienced now, is not an accurate guide to future placements, beyond the broadest of headline trends. Current placements – such as some in northern England – reflect client needs not an approach to the market or future need.

These factors combined with low response rates do not yield a cost of care figure with which there can be confidence. However, the comparison of the average rate the Corporation pays for current nursing and residential placements, compared to the derived cost of care figure shows those averages to be at 95% and 100% (respectively) of the cost of care rate.

Continuing and future assessments of sufficiency and care costs in the market will need to reference the experience and markets of neighbouring authorities, where the diversity and scale of market provision gives a better indication.

To provide this greater insight and reassurance, the Corporation has worked with local authority partners in the North East London (NEL) sub region to compare costings to see how they coincide with the ranges and averages shown in cost of care exercise across the sub-region. This enables an insight into the market based on a wider sample size, offering improved reliability of data. The figures derived give confidence that the Corporation is procuring placements at rates that support a stable and viable care market.

Whilst charging reforms have been delayed, the Corporation is confident it can support residents to broker access to the care they need. The delay provides an opportunity to assess further the potential demand for support that may be met.

The risks to sufficiency the Corporation faces, and articulated by providers, relates to retention and recruitment of staff, inflationary pressures and rising interest rates that threaten operational and commercial viability. This reflects a wider pattern reported regionally and nationally, and is not specific to the providers commissioned by the Corporation.

The Corporation is a London Living Wage employer and commissioner. It recognises the contribution this commitment makes to delivering quality sustainable services. However, it cannot always secure this in making placements

– not least in those made outside of the capital. It is interested in the development of sub-regional frameworks or other purchasing models through which there can be greater access to quality assured providers paying living wage salaries.

It is recognised that inflationary pressures will drive increases in the London Living Wage and National Living Wage in 2023/24. The Corporation anticipates this will impact on the cost of provision. Government grant to the Corporation in support of market sustainability – whilst modest - has already supported the Corporation to provide uplifts to providers to accommodate wage inflation. This approach will be continued in 2023/24 to support providers.

The Corporation has a significant record of partnership working to secure service delivery, efficiency and access where local approaches would not secure a market response. It is operating within a place-based partnership for health and social care integration with the London Borough of Hackney, with which it commissions a range of joint delivery. Opportunities for residential care are also being investigated with two other neighbouring authorities developing direct provision. Such approaches can secure access and mitigate the risk of the Corporation being crowded out by the demand or purchasing power of its neighbours.

Given demand, the Corporation's agility in the market and the market it accesses, we remain confident in the sustainability of the market to meet our needs.

Of the current 25 placements, 18 are Residential and seven are nursing placements. There is no current setting in which the Corporation has more than two clients. All placements have been spot purchased from a diverse range of provision in the market to meet client choices/needs. As such the Corporation responds to market and how that is shaped by the predominant consumers in any given geography, rather than one that is shaped or bounded by the Corporation.

The pressure of demand, and our inability to control or define supply means that we are market led. The nature of our demand is spread thinly across client cohorts, but also seeks different geographies (second homers or city incomers returning to areas of family connection).

The Corporation is confident in its ability to deliver to the diversity of need, and as illustrated, it is not over reliant on any type or size of provider. However, the vibrancy of supply in proximate local authorities, and their plans for sustainability, remain an important factor in ensuring the City can continue to meet its needs.

In securing value, the Corporation seeks to algin placement fees with host authority fee rates. However, individually negotiated placements that are spot purchased can result in higher cost placements for the Corporation compared to rates secured by host authorities who have volume use or block contracts yielding lower prices.

The nature of the Corporation's demand for and purchasing of placements requires negotiation of contract terms across a range of providers. There is an opportunity for the Corporation to further strengthen the processes by which care and support needs are mapped and recorded against contractual terms to support the oversight of social care staff and commissioners.

The Corporation has observed increased demands for inflationary uplifts of fees, and cost escalation in relation to the increase of needs during the period of placement. Providers report an increase in care/support needs demanding additional skills and support, with a consequential pressure on staff costs.

A review of placement payments to assess their sustainability identifies greater risk among placements made before April 2022 – and benefiting from a modest inflationary uplift – of operating at or below cost. This risk is amplified by unforeseen inflationary pressures in the current financial year. Fees for placements made after April 2022 have been subject to greater cost inflation and are considered more sustainable.

All placement providers stated they have not made a profit/surplus in 2020/21 or 2021/22.

It is anticipated – in line with regional and national expectations - that increasing and prolonged inflationary pressures will require additional funding in 2023/24 and beyond to ensure sustainability for existing placements and our small market requirement. We will consider the outcome of sub-regional cost of care exercises to inform our approach to uplifts to secure sustainability and access.

The Corporation seeks only to place in homes that are CQC rated as Good or above unless there are compelling reasons to place otherwise where improvement plans are in place – or where the host authority, through their own monitoring processes, have endorsed the provider as having significantly improved and remedied concerns ahead of reinspection by the CQC.

Providers report a concern that inflationary pressures will squeeze budgets for training and development. This is of concern as it is reported at a time at which scheme managers' report the need for training and higher skills to respond to increasing in care and support needs. There are widely reported concerns, echoed by Corporation's providers, that some turnover is being driven by more competitive wages and employment conditions in other sectors such as retail.

Skills for Care estimates a care staff turnover regional average of 28%, lower than England, at 30%. They also state that not all turnover results in carers leaving the sector, with over half (61%) of starters recruited from within the adult social care sector.

The Corporation is committed to collaborating with partner authorities in NEL to support workforce training and development and support a move towards professional registration of carers. It also recognises that that future fee rates will need to increase to ensure homes to continue to pay (the London) living wage and competitive salaries to recruit and retain skilled staff.

To help improve recruitment and retention in the short and longer term, we will work in partnership with our providers, other LA's and the NEL to deploy grant funding to alleviate and funding gaps and mitigate the impact on staffing.

## b) Assessment of current sustainability of the 18+ domiciliary care market

The City's aims to support residents to live well in their home for as long as possible. The delivery of quality, flexible domiciliary homecare and adequate care hours is integral to achieving this.

Homecare services funded by the Corporation deliver domestic daily support, domestic hourly support, community escort, live in carer provision, day/night carer and personal homecare. This is augmented by a rapid response and reablement service that is commissioned separately – and delivered by a different provider to the contracted homecare provider.

The Corporation commissions a single provider of domiciliary homecare. This is proportionate to the number of service users requiring such support. The current provider has delivered homecare since June 2022, following a successful market exercise.

The market response was positive – attracting eight bids – including those from providers delivering in neighbouring authorities. This is positive in that it delivers value to the Corporation in terms of associated economy and resilience. Despite this, it is recognised that the limited volume of delivery in the City does not sustain the hourly rates achieved by neighbouring authorities. The Corporation's hourly rates are more broadly in line with the cost of care rates reported within North East London than the hourly rates currently paid.

Demand for homecare is anticipated to increase. Current patterns of demand suggest 18-25 service users at any one time benefitting from 330 to 350 hours of care weekly. Homecare hours are anticipated to increase to 370 hours year. Such an increase would be manageable within the existing resources and/or recruitment plans of the Corporation's provider.

The delivery of homecare is a less agile market than residential models of care. The Corporation recognises the risk in having a single contracted provider in the event of provider failure. Mitigation is provided through relationships with a range of alternative providers – who have confirmed capacity to respond - including those used to deliver culturally specific care or more complex care, private providers in the City, those operating in neighbouring authorities and our provider of reablement and rapid response (also a homecare provider).

In securing a homecare provider the Corporation sought to ensure through the specification and selection process, that the range and diversity of needs in the population can be met. In delivering a needs focussed service, it is recognised that there will be cultural, religious and language needs that a single contractor may not be able to meet. The new homecare contract allows for spot purchases from other, needs specific homecare providers where the contracted provider might not be able to meet specific requirements. This mechanism also allows for additional provision in the event of any service delivery shortages.

The Corporation has identified providers who can offer specific cultural, language and disability led services in the City. As such, it is that this model ensures resilience risks are managed and that there is sufficient range of provision to meet City requirements.

In commissioning its provision, the Corporation required a CQC rating of Good or above, compliance with the Unison Ethical Care Charter, payment of the London Living Wage and market sustainable prices.

Tender submissions were assessed on a 70:30 quality to price ratio. This increased the weighting on quality to ensure a focus on quality outcomes, and incentivising a realistic and sustainable price in current market conditions. We have an ongoing quality assurance programme with our providers. In this process we engage with residents, unpaid carer groups and stakeholders such as City of London Healthwatch to secure ongoing quality improvement and service development.

There are no current concerns in the quality of homecare provision.

Pre-tender market engagement identified the City’s low demand/low volumes, the requirement to pay the London Living Wage and align with the Unison Ethical Care Charter as drivers of higher rates, and market concerns of presenting uncompetitive submissions. As set out, the Corporation amended its assessment approach to focus on quality.

Pricing submissions were reviewed and compared with current and projected market rates to determine a reasonable cost that enabled market sustainability.

The Corporation is confident that the current position is sustainable. While the cost of care submission by the Corporation’s provider exceeds the rate paid under contract, it reflects (and is inflated by) an exercise that views delivery in the City in isolation. A sample size of one is not an adequate indicator or the market context in which the Corporation commissions.

Analysis of rates paid by neighbouring authorities, and the cost of care rates reported, would suggest the Corporation pays a sustainable and fair rate. Given the Corporation will always commission from a market of providers delivering at much larger scale that the City, it is reasonable to look to these wider rates in assessing the sustainability of rates paid by the Corporation.

The Corporation’s homecare provider has reported positive feedback on recruitment and retention, having recently expanded their staff team with the recent contract with the City and other successful LA tenders. They report that the Corporation’s requirement for staff development, LLW and the Ethical Care charter has made an impact on attracting staff.

More broadly, recruitment and retention in homecare experiences the challenges reported across the care sector and as set out in relation to residential and nursing care.

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| Where uplifts to the LLW increase the cost of provision, the Corporation will use grant funding made available to it to sustain the quality and viability of its care.<br><br>Homecare delivery can only be focused on the geography of the City, and the associated higher costs – such as travel – of working there. However, the Corporation has pursued an approach that has secured a small but thriving homecare provision that offers sufficient supply, and which we believe to be sustainable.<br><br>The delay in charging reform allows for better analysis and quantification of the self-funder population in the City – and engagement with our commissioned provider - to develop the processes to support those who seek brokerage by the Corporation. |
| Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets |
| The focus of all local authorities on securing sustainable care markets will benefit the Corporation, in that it will strengthen the sustainability and sufficiency of the various markets and geographies from which it purchases residential and nursing care.<br><br>It is anticipated that the introduction of clause 18(3) of the Care Act will lead to City residents requesting care brokerage from the Corporation, with the reasonable expectation of a fair weekly rate for their care home placement. The nature of the Corporation's approach allows it – in principle – to readily support residents to access the care market and adapt to the changing market landscape.<br><br>More significant impact relates to the number and choices of the City's self-funders. ONS statistics highlight the size of the self-funder market has stayed fairly consistent before and after the Covid pandemic. From 2019 to 2022, the proportion of care home self-funders nationally is 35%. In London, the proportion of care home residents self-funding is 28%. We also know in the City that the size of the self-funder market is low with 30 - 40 service users. In their Fair Cost of Care report, Laing Buisson anticipates that 50% of self-funders will take up the opportunity for their local authority to broker their care and if this is the case, could equate to up to 20 additional brokerage requirements per year in the City.<br><br>This will increase pressure on the Corporation's current brokerage and social care model and incur increased staff and service costs. It may also increase placement costs for the Corporation as price differences between private and local authority funded placements will become more apparent and converge around a blended price.<br><br>Reform will occur in a context in which inflation is expected to continue to drive wage and fee increases in the period ahead. This may ease ahead of October 2025, depending on prevailing economic and market conditions.<br><br>Several homecare providers delivery privately funded care to City residents. Feedback from providers indicates that self-funders pay around 30% more per hour than local authority rates. Homecare providers report that LA rates are lower |

in comparison to private clients, in part due to lower volumes, and also higher profit margins. Self-funding clients are not subsidising local authority rates in the City.

Cost of care rates may reduce provider incomes where the Corporation is brokering future care. Dialogue with providers suggests that rates are likely to increase, irrespective of the FCOC exercise due to wider cost pressures. The Corporation anticipates that the market cost of domiciliary care will increase due to wider inflationary pressures in the economy.

The Corporation's view is that the domiciliary market is likely to be more stable and resilient than residential models in the period util October 2025.

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

### a) 65+ care homes market

The City is committed to fairly funded, viable provision that delivers timely, quality care to its residents. This is embedded in its Corporate and Departmental Plan commitments to health, wellbeing and independence.

Securing resilient and sustainable markets for care is critical to this. While much of that will be achieved through the plans of sub-regional and regional neighbours, the Corporation is committed to collaborating with providers and partners to identify the actions and approach needed to support resilience and sustainability.

Current rates paid by the Corporation do not identify significant structural funding gaps that undermine sustainability. However, inflationary pressures will require a funding response to which the Corporation committed in 2022/23.

The Corporation has used the £33,000 grant made available to it to support its approach to market sustainability in 2022/23. Of the allocation, 25 per cent funded the work to undertake the completion of the Cost of Care Exercise; 75 per cent was allocated to support uplift pressures incurred (above our planned 2 per cent for 22/23) in our residential and nursing placements split 80/20 in favour of residential in line with our market activity.

This activity has been complemented by wider funding to support hospital discharge, discharge to assess models and delivery of reablement.

External pressures, and national policy and funding ambiguity, do not enable confident planning for 2023/24 or 2024/25. The "Fair Cost of Care" exercise has not at this stage identified a funding gap that could be the basis for confident projection.

The Corporation has prioritised and established short term, medium term and longer-term plans to support sustainability in its market for residential and nursing home Placements:

Short term:

- develop a refreshed Market Position Statement
- review the Corporation's Brokerage model to respond to increased demand from sec 18(3) and to strengthen the linkage and transparency between care package demands and contractual terms
- use the Fair Cost of Care grant to meet identified gaps/risks in market fees
- partner in developing sub-regional approaches to secure consistent quality and pricing
- develop an inflationary and market analysis policy that seeks to address cost pressures in the market considering the impact of fee rates on the market sustainability issues identified

Medium-term:

- targeted support for providers to help to raise quality levels
- assess future cost and risks
- work with SCIE and partners to promote caring as a valued profession
- seek opportunities to development/join a dynamic purchasing framework

Long term:

- commission services in an integrated way with partner LAs across Northeast London
- ensure regular market and supply reviews to gauge ongoing sustainability
- develop an inflationary and market analysis policy that seeks to address cost pressures and market sustainability issues

### b) 18+ domiciliary care market

In relation to the **18+ domiciliary care market** the Corporation will seek to:

Short term:

- develop a refreshed Market Position Statement
- review the processes and capacity to respond to increased demand from sec 18(3)
- continue to support residents to be as independent as possible for as long as possible
- ensure providers pay London Living Wage and it is factor into annual inflationary uplift reviews
- use the Fair Cost of Care grant to meet identified gaps/risks in market fees
- actively participate with NEL on shared priorities
- continue to actively engage with partners, providers and LAs to support fair costs of care

Medium-term:

- review telecare and service integration models to enhance service delivery

- targeted support for providers to help to raise quality levels
- assess cost and risks in terms of funding
- work with SCIE and partners to promote caring as a valued profession in the City

Long term:

- invest into preventative services and housing options that enable people to remain at home
- deliver integrated and health and care approaches to homecare
- commission services in an integrated way with partner LAs across NEL
- ensure regular market and supply reviews to gauge ongoing sustainability
- develop an inflationary and market analysis policy that seeks to address cost pressures in the market considering the impact of fee rates on the market sustainability issues identified