City of London Corporation
Market Sustainability Plan 2024-2026

This is an update of the Market Sustainability Plan published in March 2023.

1 Assessment of the current sustainability of local care markets

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

The City of London Corporation ("the Corporation") provides local authority services to a resident population of approximately 8,600 residents. The resident population is growing, with the adult population aged 65 years or above increasing by 18 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 86.5 years and female 89.3 years, compared to 80.2 and 84.0 respectively for London.

Unlike other areas of small population, the City of London 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 care over the last 5 years. There has been a very slight increase within the current financial year (2024/2025), particularly for nursing placements. It is expected that approximately 18 residential placements and 8 nursing placements are current at any one time. The growth and ageing of the residential population has led to a slight increase in the demand for care home provision, including the notable increase in demand for 1:1 support. The Corporation's strategic commitment is to 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 in the absence of extra care solutions available to the Corporation.

The Corporation's need for care placements is relatively low compared to its resident and adult social care populations. This, combined with the diverse needs and preferences of those requiring care, necessitates a flexible, person-centred approach to purchasing care services. Due to the unpredictable nature and varying levels of demand, relying solely on block contracts for residential care is neither prudent nor viable. As a result, the Corporation commissions placements on a spot-purchase basis to ensure responsiveness and resilience. Nevertheless, the opportunity to explore alternative approaches for the commissioning of placements remains open.

Population size and need, geographical and real estate factors also means that market or local authority provision of extra care or 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. Whilst there is a London bias, current placements also include Kent, Cambridgeshire, Greater Manchester and Yorkshire. 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.

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 Corporation's unique circumstances require a tailored approach to securing care placements. This strategy considers both cost-effectiveness and new opportunities for collaboration with neighbouring local authorities, using their reported rates as a benchmark. While a methodology is in place, it's important to note that current placement patterns are not predictive of future needs. The current reliance on placements outside of London is driven by the specific needs of current clients, not by a strategic market approach or anticipation of future trends.

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 continues to work 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 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.

While 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 Corporation faces ongoing challenges in ensuring sufficient care provision. Providers consistently highlight concerns about staff retention and recruitment, inflationary pressures, and fluctuating interest rates, all of which heavily impact their operational and financial viability. These challenges are compounded by the rising costs of care worker wages and increased Employers' National Insurance contributions (effective April 2025). These pressures are not unique to the Corporation's commissioned providers, reflecting wider trends observed both regionally and nationally.

The Corporation is a London Living Wage employer and living wage 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, where National Living Wage is assured. 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 within 2024 and into 2025, will drive increases in the

London Living Wage, National Living Wage alongside changes to Employers' National Insurance Contributions. The Corporation anticipates this will impact on the cost of provision. Government grant funding will continue to be used to support uplifts to providers to accommodate wage inflation until 2026.

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 collaborative commissioning approaches for residential care with sub-regional NEL member authorities continues to be explored. 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.

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 remains 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 align 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 and cost escalation in relation to the increase of needs during the period of placement. Providers report an increase in care/support needs, particularly following an episode of hospital admission and subsequent discharge, demanding additional skills and support, with a consequential pressure on staff costs.

It is anticipated – in line with regional and national expectations - that increasing and prolonged inflationary pressures will require additional funding in 2025/26 and beyond to ensure sustainability for existing placements and our small market requirement. We will consider the outcome of sub-regional cost analysis and reviews to inform our approach to uplifts to secure sustainability and access.

The Corporation has maintained to only 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 have cited 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 stress the need for training and higher skills to respond to increasing in care and support needs. There are widely reported concerns, echoed by the 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 reports that turnover in the care workforce in 2023/24 was 25%, and the level of vacant roles in that year has declined from the previous period. They also state that not all turnover results in carers leaving the sector, with over half (57%) of starters recruited from within the adult social care sector.

The Corporation has continued its commitment 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 future fee rates will need to increase to ensure homes to continue to pay (the London and national) living wage and competitive salaries to recruit and retain skilled staff, particularly within the nursing home provision.

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

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

The Corporation's aim is 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.

It is recognised that the limited volume of delivery in the City does not sustain the hourly rates achieved by neighbouring authorities. As a consequence, the Corporation's hourly rates are higher than the cost of care rates reported within North East London.

Demand for homecare has moderately increased in line with recent forecasts. He current level of demand has risen from 18 to 24 service users in receipt of homecare to 24 to 35 service users at any one time benefitting from 480 hours of care weekly to date within 2024/2025. This increase has been met within the existing resources and care worker recruitment and retention plans of the Corporation's provider.

The Corporation recognises the risk in having a single contracted provider in the event of provider failure, albeit being significantly alleyed due to the very low volume of residents in receipt of homecare, compared to many local authorities across the country. Mitigation is also provided through relationships with a range of alternative providers – who have confirmed capacity to respond – including those used to deliver more complex care, private providers registered within the City, those operating in neighbouring authorities, and our provider of reablement and rapid response (also a registered homecare provider).

The Corporation ensures, through the specification and regular contract monitoring process, that the range and diversity of needs in the population are met. In delivering a needs-focused service, it is recognised that there will be cultural, religious, and language needs that a single contractor may not always be able to meet. Where the contracted provider is unable to meet specific requirements, the Corporation spot purchases from other homecare providers. This mechanism also allows for additional provision in the event of any service delivery shortages.

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

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.

The Corporation remains confident that the current position is sustainable. Analysis of rates paid by neighbouring authorities suggests that the Corporation pays a sustainable and fair rate especially when taking into consideration homecare demand levels within the City. Given the Corporation will always commission from a market of providers delivering at a much larger scale than it would to 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 continued to reported positive feedback on care worker retention and recruitment whenever required, as conveyed through contract monitoring meetings for their City operation. They report that the Corporation's requirement for staff development, LLW and the Ethical Care Charter has made a positive impact on attracting staff. In addition, the proximity of scheduled care calls within the City has also appealed to care worker staff.

More broadly, recruitment and retention in homecare experience the challenges reported across the care sector and as set out in relation to residential and nursing care to which, the landscape and effects are regularly reviewed by the Corporation.

Where uplifts to the London Living Wage increase the cost of provision, the Corporation has used grant funding made available to it to continue to sustain the quality and viability of its care.

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 has remained sustainable.

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.

It is anticipated that the rescheduled commencement of section 18(3) Care Act 2014 may lead to City residents requesting care brokerage from the Corporation, with the reasonable expectation of a fairer 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. Prior to October 2025, the City will develop a plan to manage this demand, with consideration of staffing levels, brokerage processes, and assessing the broader effects on fee negotiations and the balance between self-funded and Corporation-funded placements. These measures aim to ensure the Corporation can meet the needs of self-funders while maintaining market stability and efficiency

Before deferring the reforms until October 2025, the government had already announced that this right would be implemented for care homes in a staged way over 18 months, where only new care home residents would initially have the right. It is therefore likely that a similar phased approach will apply in October 2025, as it is a logical solution to mitigate implementation issues.

65+ Care Homes Market

- **Demand and Self-funders**: The proportion of self-funders in care homes remains low in the City, with an estimated 30–40 self-funders. Nationally, ONS data reports that 28% of care home residents in London are self-funders. The Corporation anticipates that up to 20 additional self-funders per year may request brokerage services by 2025, increasing administrative and staff costs.

- **Inflation and Wage Pressures**: Rising operational costs due to inflation, the London Living Wage increase and the rise in Employer National Insurance contributions will continue to impact providers. The Corporation has used the Market Sustainability and Improvement Fund to provide fee uplifts to maintain sustainability to the end of 2025/26.

18+ Domiciliary Care Market

- **Stability of the Homecare Market**: The homecare market in the City is expected to remain stable throughout 2025. The number of weekly hours provided has increased slightly, with current trends showing that 91% of adults aged 65+ require less support following a period of reablement. However, rising costs will impact the price of care.

- **Inflation and Care Costs**: On a national basis, self-funders are estimated to pay around 30% more per hour than local authority-funded clients for homecare. This gap is expected to narrow as wage inflation continues to drive up costs, particularly due to the rising London Living Wage and Employer National Insurance contributions.

- **Recruitment and Workforce Retention**: The application of grant funding to mitigate cost pressures within the domiciliary home care markets suggests a positive degree of support in enabling providers to improve workforce capacity on a regional and national level. Skills for Care has recently reported that whilst retention has improved, reducing to a 24% turnover in care staff, recruitment and retention continues to remain a sectorwide challenge in comparison to vacancy rates across the UK economy. The Corporation continues to work with its provider to support recruitment efforts, focusing on paying competitive wages and offering development opportunities.

Overall Market Changes

- **Inflationary Pressures**: Inflationary impacts are expected to continue to affect the care market, with rising wages and operational costs driving up fees. The Corporation will continue to assess the need to apply annual fee uplifts to ensure that providers remain sustainable and continue delivering quality care.

- **Collaboration with Regional Partners**: The Corporation will continue its work with North East London partners to improve market resilience. Regional initiatives, such as sub-regional cost of care exercises, provide key benchmarks for assessing care costs and ensuring market stability.

3 Plans for each market to address sustainability issues, including fee rate issues, where identified

3.1 65+ care homes market

The City has continued its commitment 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.

Short and Medium Term (2024–2026):

- **Refreshed Market Position Statement**: The Corporation has updated its Market Position Statement to reflect the demand, care provision needs, and challenges anticipated between 2024 and 2026.

- **Brokerage Model Review**: The Corporation is remodelling its internal systems and care management, brokerage and finance processes and approaches to the commissioning of a range of services including care home placements and homecare. This includes preparations for the expected demand due to **section 18(3)** of the Care Act, ensuring it is prepared for the increased volume of self-funders seeking services.

- **Use of Market Sustainability and Improvement Fund**: The Corporation will continue using this grant to provide fee uplifts and address cost pressures related to wage inflation.

- **Partnership in sub-regional approaches**: Collaborating with neighbouring authorities will ensure that care providers maintain quality standards while delivering care at sustainable rates.

- **Market Analysis Policy**: The Corporation will develop an inflationary and market analysis policy to address rising costs and assess their impact on market sustainability.

- **Targeted support for providers**: The Corporation will provide support to providers to help improve care quality and address any identified risks.

- **Future cost and risk assessments**: The Corporation will conduct ongoing assessments to identify risks in care costs, particularly in light of inflation and wage pressures both independently and in collaboration with NEL partner authorities.

- **Promote caring as a valued profession**: In collaboration with SCIE, the Corporation will support initiatives to promote recruitment and retention in the care sector.

- **Dynamic Purchasing Frameworks**: The Corporation will continue to explore opportunities to join dynamic purchasing frameworks, ensuring more consistent care costs.

- **Integrated commissioning with NEL partners**: The Corporation will continue to work with local authorities in North East London to commission services collaboratively, ensuring access to a wider pool of care providers.

- **Regular market reviews**: Ongoing reviews of market sustainability will ensure that the Corporation remains responsive to the needs of both residents and care providers.

3.2 18+ domiciliary care market

Short and Medium Term (2024–2026):

- **Refreshed Market Position Statement**: The Corporation has updated its approach to the domiciliary care market, reflecting the needs of an increasing population requiring homecare.

- **London Living Wage Adjustments**: Annual adjustments to fee rates will be applied to account for LLW increases, ensuring that providers can continue to deliver sustainable care.

- **Use of Market Sustainability Fund**: The Corporation will continue using the grant to mitigate the impact of inflationary pressures on the domiciliary care market.

- **Market Engagement and Shaping**: Engage with commissioned and non-commissioned local and regionally registered homecare agencies and service users to develop a forum-based, co-produced approach to the delivery of homecare services within the City.

- **Collaborate with NEL partners**: The Corporation will continue to collaborate with neighbouring authorities to ensure quality care and sustainable pricing across the homecare market.

- **Provider support for quality improvement**: The Corporation will provide targeted support to homecare providers, helping them address rising costs and improve the quality of care.

- **Assess cost and risks**: As wage inflation and operational costs rise, the Corporation will assess the long-term sustainability of homecare providers and address any identified risks.

- **Promote caring as a valued profession**: In collaboration with SCIE, the Corporation will support efforts to recruit and retain staff in the domiciliary care sector.

- **Integrated health and care approaches**: The Corporation will continue developing integrated care models that coordinate health and social care services for homecare clients.

- **Regular market reviews**: Ongoing reviews of the domiciliary care market will ensure the City remains responsive to both market sustainability and resident needs.

- **Market Analysis Policy**: The Corporation will maintain a policy to address inflationary pressures and ensure market sustainability by adjusting fee rates accordingly.

Long Term (2025-2028):

- **Telecare and Service Integration**: The Corporation will review telecare models and explore opportunities for further service integration to enhance care delivery.

- **Investment in preventative services**: The Corporation will invest in preventative services that enable residents to remain at home longer, reducing the need for more intensive domiciliary care.