Surrey County Council Market Sustainability Plan

Section 1: Assessment of the current sustainability of local care markets

Introduction

Prior to the introduction of the cost of care exercise Surrey had already undertaken an independent review of the Older People's care home market, including a provider survey which achieved almost a 70% market response. The insight and feedback gathered through this comprehensive piece of provider engagement informed Surrey's revised strategy for procuring capacity from the market. The new approach included a significant overhaul of policies, placement processes and contractual arrangements alongside ongoing engagement with the market to understand pricing and costs to inform current and future guide rates.

Consequently Surrey is already seeing an improvement in its relationship with the care and nursing home market despite the cost of care exercise and social care reforms proposals. Through developing strategic relationships SCC's approach has been to manage access to market capacity more pragmatically and consistently, despite the significant and atypical pressures and dynamics that were present during and after the Covid- 19 pandemic. A strategic relationship-based approach builds on an established long-term market management approach that is focused on identifying capacity within Surrey's unique care market's where 60-65% of provision in care homes is purchased by self-funders.

A recent market event to focus on the future of the care home market and on specific priorities including care homes of the future, complex care needs, technology and better discharge and transition planning was well attended by nearly 100 care provider representatives. This is part of our ongoing market engagement to ensure services are available to meet the needs of changing demographics and increased levels of comorbidity and complexity but also to tackle challenges faced by the market to ensure sustainability such as support for recruitment and retention and enhanced wrap around support from primary care and community services.

The Care within the Home sector in Surrey remains dynamic and comprises of an ever evolving mix of longer well-established providers and new market entrants with around 20-30 new providers registering to deliver care in Surrey each year. Overseas recruitment has seen a huge increase in the availability of care capacity over the last 12 months, estimated as potentially constituting 28% of the workforce operating under the terms of our contractual relationship with market. A key focus for commissioners in this area is to oversee the quality of services being delivered and to maximise the use of valuable care hours to ensure sustainable business growth in the sector such is the competition in Surrey's market.

Delays to charging reforms have had little impact on managing current pressures for market sustainability. Additional funding received from Government will support ambitions to develop more robust ways to secure capacity in the market. Surrey will continue to explore all options available including new nursing dementia rates, choice guidance, third party top ups, enhanced care provision framework and block arrangements for both care homes and care within the homes services.

Surrey has awarded significant uplifts to care services in response to inflationary pressures and has worked with Surrey Care Association and existing providers to alleviate some of the known pressures faced by care services. Alongside this work Surrey continues to promote the inclusion of providers onto Dynamic Purchasing System arrangements for both care markets to ensure parity when considering future uplift approaches and wider market challenges. Integration with health in terms of securing provision from the market remains a key priority.

The structure set by government for this market sustainability plan focuses specifically on the 65+ care home and 18+ domiciliary care markets. This is because these are the sectors judged to be most directly impacted by the proposed charging reforms. It is though important to highlight that these only represent two of the sectors from which the Council commissions Adult Social Care services. Other key sectors include supported independent living and care homes for people with disabilities and autism and / or mental health problems, extra care housing and daytime support in the community. It is equally important to the Council that it maintains a robust oversight of market sustainability in these sectors. The Council has approached its overall approach to setting and uplifting fees with this in mind with a focus on these sectors in addition to the plans set out in this document for 65+ care homes and 18+ domiciliary care. The Council engages regularly with providers in these sectors and partners including the Surrey Care Association and is actively developing its commissioning and contracting. As part of this, it is essential to recognise that any actions taken in relation to the 65+ care home and 18+ domiciliary markets will have implications for other ASC market sectors and as such the Council develops its strategic commissioning plans by considering the position and impacts across all key markets sectors.

1a: Assessment of current sustainability of the 65+ care home market

An uplift of 7.6% has been awarded for nursing and residential care from 1st April 2023. As part of this, Surrey has also raised the price paid for care home capacity from below guide prices to guide prices for greater parity across the market.

In Surrey, there are 227 65+ care homes with a total of 11,346 65+ registered beds. In January 2022, Surrey County Council had 2,133 65+ placements in approximately 175 care homes. Surrey County Council are in the process of closing 8 internally delivered residential care homes reflecting the downward trajectory of demand/need for general residential care. These homes provide a total of 433 beds although occupancy has been declining and was 18% in October 2022.

Surrey also operates a block contract for 293 65+ residential dementia care placements, which end in 2027.

Quality of homes through KLOE and CQC information is good in Surrey and providers are supported to maintain quality services through joint working between health and social care quality assurance teams.

SCC commissioned residential and nursing placements are well dispersed in the market and the market profile can be summarised as follows:

- Approximately 35% of care homes are large providers with 15 or more homes, operating nationwide.
- 16% are medium providers with 6 to 14 homes operating nationally or regionally.
- the remaining 49% are small providers with 1-5 care homes only operating in Surrey.

Surrey has a substantial and buoyant self-funder market, and we estimate approximately 60-65% of 65+ care home placements are aimed at and used by self-funders already living in Surrey or moving to Surrey because of the range and choice of self-funder focused provision. Self-funder activity is estimated to be around 6,800 placements). This is based on care home capacity from the capacity tracker, less estimated vacant beds, less NHS-funded 65+ clients, less our own funded clients (approximately 3%) and the remainder being the estimated number of self-funders.

Relative to population size, Surrey has a large older adult care home market compared to both regional and national benchmarks. Despite higher wages and rents/capital costs compared to most of the rest of the country and neighbouring London Boroughs, high self-funder fees make Surrey an attractive market. Private providers are unlikely to build care homes for the public sector market where returns are lower than that which providers and investors can achieve in the self-funder market. Even third-sector providers build homes in the expectation that a large part of the demand will be from self-funders.

Despite its already large size, the local market is growing – mainly in the direction of more luxury type homes with a focus on the self-funder market which accounts for 60-65% of older people's placements. This model of care home includes provision of:

- Ancillary staffing associated with a luxury 'hotel' experience rather than a standard care home experience.
- Higher wages associated with things like better chefs and offering extensive meal choice well beyond meeting residents 'nutritional needs'.
- Home-based sales, marketing, and customer relations staff.
- Higher operating costs from factors such as fine dining, luxury soaps, etc.
- All-inclusive costs such as hairdressing, newspapers, day trips, etc.
- Large rooms – (based on our previous survey analysis over 1/3rd offer room sizes of 18-24m2 with ensuite wet rooms and nearly 1/5th off rooms 24m2 + compared to the 12-18m2 standard offered in most homes that offer the greatest number of placements to SCC/NHS at our current guide prices).
- Premium facilities including extensive grounds and outdoor space.

SCC has considerably increased its Guide Price in recent years. However, with a large self-funder market, Surrey has limited influence over the market when it comes to prices paid. The level of profit on most self-funder beds means maximising incomes is generally more important than operating more efficiently. Approximately 10-15% of residential care homes in Surrey and 10% of nursing care homes have lean overall costs (the minimum cost required to operate sustainably). Approximately 33% of the nursing market and 20% of the residential care market operate with broad market costs (the maximum cost required to operate sustainably). The remaining homes have a mix of lean and broad market costs.

Our current guide prices (which incorporate an EBITDAR margin) are largely adequate to meet the costs of both markets but may not realise the profits sought by many homes. Prices (not costs) are based on a range of data including:

- The level of care staffing sufficient for standard-rated placements.
- The level of supernumerary and ancillary staffing for standard placements.
- Standard of facilities and how capital costs are financed.
- A sustainable level of profit in the local market.

It has previously been challenging to determine sufficiency of supply in the Surrey 65+ care home market. Prior to COVID-19, Surrey County Council spot purchased 80% of the required residential and nursing care 65+ placements from the market. This relationship was transactional with little strategic oversight of the market and limited focus on market-shaping activities or capital depletion. Surrey Continuing Healthcare (CHC) responsible for securing CHC placements were seen as a competitor in the market, with homes charging extremely high prices for CHC placements aligned more to what providers could push their prices charged to rather than the actual cost of care. This all resulted in variable rates with a knock on impact on the fees for Council funded placements with over a third of all new ASC placements in 2019/20 made above local authority guide rates. Some areas saw all new residential placements being sourced above guide rate. This meant that overall costs for all new clients in 2019/20 averaged nearly 10% higher than they should have been, with some area's seeing costs averaging 20% higher than the guide price.

The pandemic afforded ASC the opportunity to reset relationships and purchasing arrangements. Working with Surrey Continuing Health, 200 care homes signed up to a temporary Memorandum of Understanding at agreed rates therefore enabling us to be supportive in managing market sustainability. As the market recovers, we have worked to develop a long-term strategic approach, partnering with NHS, to manage the market and procure good quality care home placements that the Council can afford longer term. Surrey County Council and Surrey Continuing Healthcare now have a joint Residential and Nursing Care Contract which started on 1st July 2022. We invited providers to join the contract and tell us what capacity they had for across four guide rates:

Residential	Residential dementia	Nursing	CHC
£697	£750	£804 (£1,013.19 inclusive of FNC - £209.19)	£1200

Ultimately, the SCC challenge is to ensure that the Council has sufficient partners from which it can achieve value-for-money prices based on cost. Although we commission placements in approximately 85% of care homes, there are only a handful of nursing homes where SCC commissions more than about 30% of beds because we focus on differential pricing. Except for luxury brands, our assessment of how the market operates is that it is common for businesses to operate differential pricing structures for different types of customers to maximise absolute profit. Selling to the public sector at Guide Prices only makes sense to many care homes if they have vacancies that they are unlikely to be able to sell to self-funders. This should not be confused as cross-subsidizing public sector placements as our interpretation of the evidence we have gathered indicates that self-funder prices tend to be set based on ***self-funders willingness and ability to pay*** the prices set by providers as opposed to it being primarily determined by actual cost of care delivery. Care home providers only provide vacancies at a cost-plus rate if they can still make some level of profit.

Currently there are 108 CQC registered care homes approved on the open DPS contract. Of the providers that have joined the contract, 80 are rated good or outstanding, with 24 rated as requires improvement and 1 rated as inadequate. One care home has not yet had an inspection. Providers that have received a poor rating are supported to improve services by SCC as required through a formal provider support and intervention process.

Strategically the council is seeking to transform the care and support offer available to Surrey residents and a key strand of this work is to deliver 725 units of affordable extra care housing by 2030 which should see the demand for residential care continuing to decline over time. We have however identified that there remain gaps in provision for complex mental health placements for older people which are difficult to place at Guide Price. Utilising Market Sustainability and Improvement funding could help open up purchasing from more providers, enabling us to access more of the market and this will be important in addressing some of these gaps as currently the only options for SCC are to either identify new capacity outside the county or to intervene in the market to meet more complex referrals for placements, which could also be costly.

Recruitment remains a significant challenge especially for homes requiring nursing. The NHS pay more for comparative positions and there are jobs in different sectors which come with greater benefits and reduced work pressure in comparison. The social care workforce and cost of living crisis is magnified in Surrey, with many homes reporting that even additional funding would not promote higher staffing and that increased costs for running homes linked to inflation and socio-economic pressure are adding up to £60 per bed per week. This would see SCC requiring an additional circa £6.4million to address this deficit. Homes have stated that block arrangements support recruitment and business viability. However, this requires assurance of flow and demand from acute hospital referrals and accepting payment of voids.

Useful Links

Older People's Residential and Nursing Care Market Position Statement
Accommodation with Care and Support Commissioning Statements
Living Well in Later Life
Extra Care Housing

1b: Assessment of current sustainability of the 18+ domiciliary care market

The profile of the Surrey Home Care market is as follows:

- As at 1 March 2023 there are 305 CQC registered community-based adult social care services.
- 253 of these are registered as homecare agencies supporting mostly older adults, and 52 of these are registered for homecare and/or supported living supporting younger adults with disabilities or mental health support needs.
- Of these providers, 113 Surrey based providers have joined the SCC Care within the Home DPS framework.
- SCC also contracts with around 60 homecare agencies that are registered outside Surrey, mostly in adjoining local authority areas such as Hampshire and London Boroughs of Croydon and Kingston.
- Of the 180 (as of March 2023) CQC registered homecare branches that have joined the SCC DPS, the majority are small local providers owned by private individual owners with only one or two local branches.
- There are 13 branches which are small privately owned companies but operate as franchises of larger national 'brands' for example Bluebird Care, Caremark and Everycare.
- There are 12 branches which operate as part of large national or regional organisations with multiple branches, and two of these are owned by overseas large multinational companies. There are 6 branches owned by private equity institutional investors, these branches operate locally but are backed by well organised financial backers.
- There are also 2 branches owned by a charity and a housing association respectively. In summary, there is a large variety and spread of ownership and there is not an overreliance on a single organisation for delivery of care.

Surrey County Council ASC, jointly with the NHS in Surrey, have well established joint contracting arrangements for domiciliary care via a Dynamic Purchasing System (DPS) which commenced in October 2021. As of September 2022, there are 170 CQC registered branches approved on the contract to provide regulated homecare and live in care to residents in Surrey. Providers have signed up to cover areas of Surrey with coverage split along existing postcode areas, of which there are 94. There is adequate coverage in all the 94 postcode areas.

Of the providers that have joined the DPS:

- The majority (133) are rated Good or better, with 16 rated as requires improvement.
- The remainder are not yet inspected by CQC.
- Providers that have received a poor rating are supported to improve services by SCC as required through a formal provider support and intervention process.

- The SCC Quality Assurance Team also visit providers regularly to provide support and guidance and they also visit all new providers that have been approved to join the contract but have not yet been inspected by CQC.

Any providers that are rated Inadequate by CQC who are on the contract are immediately suspended and no further homecare packages awarded to them. Any providers who wish to apply to join the contract rated inadequate are unable to do so until their rating improves.

Fee rates paid for currently commissioned services are those as submitted by providers when they applied to join the care within the home contract. As part of the tender documentation, SCC gave providers broad rate bands to consider for postcode areas of Surrey, grouped according to whether the areas covered were urban or rural. Rate levels for areas were adjusted depending on whether the area was likely to have a large or small number of providers bidding for business. Rates are paid by time, so 30, 45, 60 minutes of care, with rates also agreed for extended visits (over 4 hours), live in care (with or without break cover) and overnight care.

Domiciliary care recruitment varies given the size and diversity of Surrey with many rural areas making care delivery more challenging and driving a vehicle an essential skill. SCC is currently exploring the use of systems and intelligence to help build sustainable rounds and maximise valuable care hours. Surrey has a very saturated market with new entrants varying from 20-30 new providers per year. This dilutes the workforce and often recruitment happens between providers, therefore the price paid for their services is key in retaining and stabilising workforce. Providers report that it is challenging to retain staff if the volume of care commissioned is not of sufficient scale, concentration, and consistency. Providers have asked for SCC to consider block hours in order to recruit staff on permanent contracts and support cashflow but with the scale of Surrey's market and the increase in staffing following overseas recruitment this is generally not considered appropriate for the Council or the market at a large scale across the county. Some block contracts have been commissioned under discharge to assess and these have in the main worked more effectively when commissioned in a targeted way aligned to demand/need. A current challenge for SCC is how best to support providers with the socio-economic pressures faced by the workforce (especially fuel costs) and maximising the use of overseas recruitment which is having positive benefits for providers in growing their workforce.

In order to support market sustainability, SCC has confirmed that fees for care within the home and live in care services will be uplifted by 8.4% from 1st April 2023. This will be paid to all providers registered on SCC's current DPS including their legacy packages.
Under the terms of the Care within the Home contracts providers were offered the opportunity to hold rate discussions with commissioners in January 2023 and harmonisation conversations relating to new and legacy business continue to be managed through business as usual processes. These steps have been embedded in our contracts to ensure prices paid are commensurate with market conditions.

Section 2: Assessment of the impact of future market changes (including funding reform) over the next 1-3 years, for each of the service markets.

2a: 65+ Care Homes Overview

Small, family SME care homes (often converted mansions) are steadily leaving the market and being replaced by larger, corporate care homes. Historically, small SMEs would convert other property stock to older adult care homes. Modern care home building standards and opportunity costs against returns available in general-purpose housing means this is no longer a realistic prospect, especially in affluent areas like Surrey. New care homes tend to be larger in size and corporately owned and operated. Most new capacity is built for the self-funder – and often luxury – market, unless directly funded by the public sector or Registered Social Landlords. Splitting the property and operating business (PropCo-OpCo) is becoming typical, even for SMEs. Landlords can be external (e.g. Real Estate Investment Trusts - REIT's) or part of the same group structured for tax purposes. PropCo-OpCo models invariably require higher overall profits than single operator business models.

These trends are problematic for SCC commissioning as nearly 50% of ASC-funded placements are with smaller homes and they are also more likely to accept placements for those with complex mental health needs. Over the next 1-3 years, we may be able to access new capacity for ASC-funded placements from self-funder homes who start to struggle with occupancy as new homes open in the market with better facilities.
Surrey's own portfolio of care homes are scheduled to close in 2024. We are developing our strategy to ensure that we have access to the capacity needed as we concurrently role out our strategy to provide 725 units of affordable extra care housing by 2030. We also have a block contract for 293 65+ residential dementia care placements which ends in 2027. Although this block contract runs with approximately 10% voids, due to the level of residents with complex mental health needs, there are nonetheless approximately 37% of individuals in the block with a high level of need. This block is meeting some of the complex needs we have in Surrey which would be hard to place elsewhere, though there does remain a projected gap in provision for people with complex needs moving forward.

One of the greatest risks to market sustainability in the coming years is the growing complexity of needs. Approximately 55% of older people eligible for adult social care in Surrey are supported with a new package of care to remain within their own home. This has increased significantly since the pandemic and means that most people entering a care home have been supported at home for longer and will now have more complex care needs. Our brokerage team find it harder to place packages where people's needs are challenging and complex. Referrals are mainly rejected because of the home managing the current risk within the home, as often the home already has maximum capacity for high needs clients that they can safely support. Some care homes advertise themselves as dementia friendly but refuse to take clients with any behaviour that challenges. SCC does not currently differentiate the cost for a regular nursing placement and nursing for people with complex needs, even though these units will require a higher level of staffing. Across the county there is an increased requirement for more provision to support more specialist needs in care homes, both nursing and residential.

Although the social care reforms have been delayed the cost of care exercise has for Surrey, more significantly than some Local Authorities, highlighted several key challenges that exist where there is more of a monopsony in the care market. Differentiating between who is 'commissioning' or 'buying' care services is central to that and SCC's previous research and what can be drawn from the cost of care exercise illustrate how this impacts on the prices paid. As already noted, our interpretation of the evidence we have gathered indicates that self-funder prices tend to be set based on self-funders willingness and ability to pay the prices set by providers as opposed to it being primarily determined by actual cost of care delivery. Providers and care homes with a strong or exclusive self-funder focus were understandably anxious about communication relating to the care cap and the cost of care. While the delays provide further time to work through these matters, the underlying issues remain. Given the current approach to purchasing care home capacity in Surrey, SCC needs to ensure that engagement with the market and other stakeholder on the back of the cost of care exercise does not erode capacity from homes operating at dual purpose, i.e. supplying to SCC and to self-funders.

The Market Sustainability and Improvement Fund grant from Government has supported the council to uplift fees by a greater amount that it would otherwise have been able to in 2023/24 but it is not expected to enable SCC to purchase from homes it has not worked with before. The output of the cost of care exercise if anything has led to some contraction of the number of homes SCC works with as some shift their expectation of fees to align with the output of the cost of care exercise despite its unrepresentative nature. Recognising this and that providers focus will be on maintaining their current level of income and return, when the implementation of the reforms are revisited, it will be essential that SCC receives a funding settlements that more accurately and equitably reflects the high proportion of self-funders in its market.

2b: 18+ Domiciliary care market

The domiciliary care market will remain strong in terms of providers operating however given the wider socio-economic challenges we envisage many providers being unable to sustain their business. The cost of care exercise and funding reforms will see SCC working with more providers and having to bridge the gap between self-funder rates and SCC rates which providers openly admit are propping up the rates offered to the local authority. SCC will need to change the way it purchases from the market to consolidate purchasing with good quality businesses with the potential to spend more with fewer providers. This will maximise care hours in more efficient rounds of business but is likely to see some providers lose business and exit the market. Costs are one thing for the market however the logistics and planning of care needs to be a shared endeavour between SCC and the domiciliary care market.

Similar therefore, although arguably even more so for domiciliary care, a substantive and sufficient funding settlement is essential to enable SCC to increase the fees it pays and maintain market sustainability. Without this, there is a serious risk that supply of affordable care to meet eligible Care Act needs may fall below demand given that the local authority will not have the financial resources to support the market without sufficient government funding to manage the impacts of the ASC Charging reforms.

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

3a: 65+ care homes market

Surrey has published a revised Market Position Statement (MPS) Older People's Residential and Nursing Care Market Position Statement detailing demand and capacity modelling for care home markets. This sits alongside the Councils Living Well in Later Life strategy and takes into account the closure of existing care homes provided by Surrey and those with long term contracts running to 2027/2028. The MPS focuses on opportunities in the market for developing new provision to meet future demands and support our ability to work with health partners to develop better clinical and intermediate care support to enhance providers ability to meet changes in resident needs. the market for developing new provision to meet future demands and support our ability to work with health partners to develop better clinical and intermediate care support to enhance providers ability to meet changes in resident needs.

Surrey has developed a robust approach to purchasing care home capacity. A new Dynamic Purchasing Arrangement (DPS) has been established jointly with NHS continuing healthcare. Provider homes have signed up to this arrangement offering capacity at guide prices. This approach helps SCC identify suitable providers to meet the needs of residents being discharged from hospitals and through community referrals. There is clarity over prices paid and an ability to secure block capacity for D2A and Nursing which can often be difficult to source. Enhanced processes and procedures pertaining to top ups, choice, enhanced care and placement exceptions provides greater clarity to providers about what to expect and reduces anxiety or risk aversion from the market which can cause system pressures. We are delivering jointly with health a Digitising Care Homes programme focused on digital care records and also TEC solutions for homes. Joint working with intermediate care, clinical services and a specific focus on Mental Health / Complex needs is aiming to support homes to be more confident and have access to more equitable support when dealing with these cohorts.

SCC is already well placed and actively addressing market sustainability issues through developing clear commissioning, brokering and procurement of care capacity. We are making changes to our IT systems to improve how these support care purchasing and overall interaction with market. The data and intelligence on activity drawn from these systems will be used in our regular engagement and consultation with care provider markets so that these discussions go beyond just considering transactional aspects of our work with providers allowing us to have focused and informed conversations about market pressures and challenges. The Surrey Care Association are an active critical friend in this area.

The Council will be considering the following factors in shaping its commissioning strategy for the 65+ care home market in Surrey over the next 1-3 years are as follows:

1. To identify and develop options for managing the gaps in provision:

- Future options appraisal for Care UK and Anchor sites in Surrey after existing contracts end.
- Purchase all residential and nursing care provision through the DPS.
- Arrange [mini] blocks in each area purchased through the DPS.
- Identify and commission specific units/homes for D2RA referrals (pathway 2 and 3)
- Enter into a large block contract across county – Res Dem/Nursing Dem with existing providers.
- Joint ventures with health.

- ASC release land, through tender, for suitable development of new capacity.
- ASC develop sites with a view to commissioning care delivery within new settings.
- Providers build and deliver care in line with identified needs through better market shaping activity.
- Explore large multipurpose homes (respite, rehab, D2RA, day care services – care home provision).
- Explore specialist units to support complex and challenging placements, high health and social care needs, enhanced care requirements.
- Continued focus on Extra care housing priority for delivering 725 affordable homes by 2030.

2. To develop increased care home capacity to prevent placement breakdown or an inpatient admission for people with complex mental health (MH) needs, or to speed up discharge through a step-down model:

- Improve the hospital discharge approach for older people with complex MH needs.
- Develop adequate ASC/CHC capacity for older people with complex MH needs in the market.
- Support self-funders with information on choosing a care home for someone with complex MH needs.
- Develop an agreed competency and skills-based framework for managing complex behaviour to develop a training and education offer for care homes.
- Develop a tiered approach to MH care home pathway.
- Develop and promote a TEC offer for care homes.
- Supporting dementia-friendly care home environments.

3. To manage the impact of social care reforms on residents:

- Roll out joint information and communication with the provider market, already exploring joint training for staff to reduce resident anxiety and complaints.
- Undertake recruitment and systems change to prepare for increased involvement in the market.
- Implement the Choice of Accommodation Guidance set out in the Care and Support and Aftercare Regulations (2014) to ensure there is fairness and choice for all Surrey residents, including self-funders and those reaching capital threshold.
- Ensure there are a range of top-up options available for residents in Surrey eligible for Adult Social Care, with a well-managed, transparent process in place to implement these.

3b: 18+ domiciliary care market

For Care within the Home services we see little impact on capacity longer term although recognise that the costs for delivering care and the margins for profit in the market will be more challenging given pressures of fuel, NLW and overseas recruitment which is an increasing activity in the market.

Care within Home care providers are continuing to apply to be part of the DPS and following capacity established under hospital discharge funding arrangements we will continue to explore new models of securing good capacity from the market, potentially through continued block provision, which aids recruitment and retention and good sustainable growth for providers. This will also be a key factor in addressing issues of geography, with many rural areas where growth of provision is hard and existing business needs to be complimented with positive growth in delivery. The Council continues to work with the provider community to explore opportunities to maximise workforce capacity, in part driven by overseas recruitment, and by exploring new and complimentary service delivery models such as Extra Care, Reablement, Hospital bed admission avoidance and carers breaks.

Key activities planned to address market sustainability and ensure sufficiency of supply across Surrey's diverse 18+ domiciliary care market include:

1. Continuing to work together to address issues of workforce recruitment, retention and training through ongoing plan of engagement and improved relationship management.

2. Continuing to explore and utilise block hour contracts in areas to improve recruitment for providers, maximise available care hours, reduce placement delays, build sustainable business' and reduce financial variance in costs for placements

3. Reducing the number of providers worked with to help to consolidate work and reduce the issue of transient workforce where possible.

4. Maximising opportunities associated with complimentary service delivery (e.g. Extra Care contracts and Reablement contracts) to secure workforce and cash flow for providers to grow and deliver in the domiciliary care market

5. Ensuring IT and systems are fit for purpose in how we 'advertise' new packages of care and over what timeframe to ensure good positive provider growth.

6. Working with providers to [up]skill and train staff to maximise single-handed care and reduce care dependency through strengths based practices through an enhanced offer to the market that does not see them disincentivised to do so.

3c: Use of Surrey's Market Sustainability and Improvement grant funding

Surrey County Council's allocated 2022/23 funding of £2.7m was utilised as set out in the table below. Although significant officer time was spent in conducting the cost of care processes in 2022 and the grant conditions allowed local authorities to retain up to 25% of their funding to cover internal and external costs of carrying out these processes, the Council allocated 99.7% of the funding directly to care providers to support market sustainability. The higher share of funding allocated 18+ home care providers reflected the Council's view based on market intelligence that there were greater immediate sustainability issues facing this sector.

Use of funding	£000	%
Allocated directly to support 18+ home care providers	2,015	74.7
Allocated directly to support 65+ care home providers	672	25.0
Retained for internal SCC costs	0	0.0
Used to cover external consultancy costs for the FCoC process	9	0.3
Total 2022/23 grant funding	2,696	100.0

In order to ensure providers received their allocated funding as quickly as possible, the Council paid the total amount of funding due to each provider in a single payment in December 2022.

Surrey County Council is due to receive £9.4m of Market Sustainability and Improvement grant funding in 2023/24. This includes continuation of the £2.7m funding allocation in 2022/23 plus further funding of £6.7m.

The Council will be using all of this £9.4m funding in 2023/24 towards the cost of fee uplifts to support market sustainability across all market sectors. The funding has enabled higher fee uplifts to support market sustainability than would otherwise have been affordable for the Council. Without the grant funding the Council would only have been able to afford fee uplifts of 4.9% for nursing and residential care and 5.7% for community care services instead of the 7.6% and 8.4% uplifts that have been awarded respectively.

As all of the funding will be consolidated in fee uplifts paid to ASC providers for care packages commissioned by the Council this will support ongoing market sustainability. This will continue into 2024/25, although as currently the Council's funding is due to remain flat in 2024/25 it will not be possible to increase fees to further support market sustainability using this source of grant funding.

As highlighted earlier in this document, the circumstances of Surrey's care markets for 65+ care homes and 18+ domiciliary care differ to many local authorities due to the high proportion of private self-funders in Surrey. This impacts the price of care that SCC currently needs to pay in order to maintain sufficiency of supply. Affordability challenges are already expected that will put additional pressure on the prices SCC pays for care services, including small family SME operators exiting the care home market and the general workforce pressures across all ASC sectors requiring increases in pay and improvement in terms & conditions to attract and retain people to the sector in competition with other industries.

If implemented the proposed charging reforms will significantly add to the financial pressures facing SCC, as the need to commission care for a lot more people who are currently private self-funders is likely to mean that SCC would have to increase the price it pays for care services above inflation in order to maintain sufficiency of supply for local authority funded care services.

Although enabling a higher level of fee uplifts in 2023/24 than would otherwise be the case, the current Market Sustainability and Improvement Fund falls a long way short of addressing these financial challenges. The national quantum is insufficient to address immediate market challenges and would need to be greatly increased if the charging reforms were to come into effect. The funding distribution is also flawed as funding is currently allocated across local authorities based simply on the current ASC relative needs formula rather than an assessment of the market conditions and relative level of financial challenges facing local authorities in relation to market sustainability and supply. Certainly if the proposed charging reforms were to come into effect, a new more equitable basis for funding distribution would be required which recognises the varying degree of impacts across the country that the reforms would have in relation to the increase in prices local authorities would be required to pay in order to maintain market sustainability and sufficiency of supply. Those local authorities with higher proportions of private self-funders under the current charging system would require proportionately higher shares of the national funding.