

<b>DECISION-MAKER:</b>	<b>CABINET</b>		
<b>SUBJECT:</b>	<b>SUPPORT FOR CARE PROVIDERS – EXTENSION OF FINANCIAL SUPPORT TO ADULT SOCIAL CARE PROVIDERS</b>		
<b>DATE OF DECISION:</b>	<b>15 SEPTEMBER, 2020</b>		
<b>REPORT OF:</b>	<b>CABINET MEMBER FOR HEALTH AND ADULT CARE</b>		
<b><u>CONTACT DETAILS</u></b>			
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### **STATEMENT OF CONFIDENTIALITY**

None

### **BRIEF SUMMARY**

Whilst the initial ‘wave’ of COVID-19 has passed, the care market has not yet recovered as the requirement to meet on-going substantial additional cost remains, and this cost pressure is likely to persist until at least the end of the next financial year. The winter period is also often a time for increased cost for providers, but it is likely this will be even more significant this year due to a number of COVID-19 related factors, including:

- The requirement for enhanced infection prevention and control, which is leading to significantly increased costs
- Increased staff costs as providers pay for staff required to self-isolate as well as for those who are unwell.

There is a need to sustain the local care market to ensure the council is able to meet its obligations under the Care Act 2014 to ensure a sufficient and diverse supply of high quality care and support services at a level capable of satisfying the current and future need for such services. It is not in the council’s interest to lose local capacity whilst the longer-term impact of COVID-19 on the local demand for and supply of adults social care and support services is still unknown, and a review of the medium and longer term sustainability of the provider market is underway. This will inform the future relationship, commissioning intentions, and purchasing strategy with the market for 2020/2021 onwards.

This report seeks authority to incur additional in-year expenditure to ensure local care market sustainability. The requested resources are already contained within the total forecast expenditure for Adult Social Care as a result of the COVID-19 pandemic. These resources will provide targeted support for providers facing significant additional and extraordinary operating costs that puts them at risk of failing, and where to allow providers to become unsustainable will undermine the council’s ability to satisfy demand for third party-provided adult social care services in the future. Any support provided will focus on the additional costs faced, rather than the impact of higher vacancy levels, except in exceptional cases. Expenditure will follow the principles of supporting the market and will include significant scrutiny of requests. An audit trail of all expenditure and reasons will be kept to show the decisions taken and the investment choices made.

This report is presented as a general exception item in accordance with the Access to Information Procedure Rules of Part 4 of the Council's Constitution. Amendments to the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 requires 28 days' notice to be given prior to determining key decisions. It was not possible to give 28 days' notice of this proposed decision as it was necessary to gain further information from the care sector as a whole regarding the financial position of providers.

### **RECOMMENDATIONS:**

(i)	To agree a budget of £1.9 million for adult social care to manage financial pressures within the care market in the city and to prevent care provider failure between October 2020 and 31 <sup>st</sup> March 2021. This to be provided within the total forecast expenditure for Adult Social Care as a result of the COVID-19 pandemic.
(ii)	To provide delegated authority to the Executive Director Wellbeing (Health & Adults) following consultation with the Cabinet Member for Health and Adults and the Executive Director for Finance and Commercialisation to agree support to care providers or segments of the market where a need has been identified and evidenced.

### **REASONS FOR REPORT RECOMMENDATIONS**

1.	The adult social care provider market has faced and continues to face significant additional cost pressures as a result of the COVID-19 pandemic. In addition, income streams for many have been adversely affected due to the difficulty in filling vacancies with new clients at this time, often due to the requirement to comply with social distancing measures. Both these factors impact on the short-term financial sustainability of the care market. Appendix 1 sets out details of the local market and the additional and on-going pressures being faced.
2.	Commissioners will remain focused on ensuring market readiness to respond to the pressures anticipated for the local health and social care system this winter and the risk of a second wave of infections while also preparing for the longer term impacts on the market and the ability of the council to access adequate levels of care to meet the needs of local residents in the city.
3.	Use of the budget in a coordinated manner will enable the council to ensure there remains a diverse, sustainable and high-quality health and social care market within the city for the future, enabling it to meet its statutory duties under the Care Act 2014. It will enable appropriate targeting to provide support where it is needed, and to protect the market while the longer term impacts become clearer, and any potential realignment of the sector can be managed.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

4.	<p><b>Do nothing</b></p> <ul style="list-style-type: none"> <li>• Failing to provide and target resources to meet identified needs risks the viability of providers and would be in contravention of the Care Act 2014 requirements to maintain a sustainable care market.</li> <li>• There is a risk that the services could become unsustainable over time, leading to provider failure and significant pressures on adult social care to</li> </ul>
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	<p>manage closures and to source new care. This will occur at a time when access to services remains difficult as providers manage infection control measures, vacancies, and recruitment and wellbeing issues in respect to their staff.</p> <ul style="list-style-type: none"> <li>• Most residential care homes in Southampton are small and medium-sized –enterprises. Many of these are particularly vulnerable to unanticipated upwards pressure on operating costs, increases in vacancies and, more recently, changes in infection control measures and expectations. The potential for failures in this sector is high and could occur systemically across care homes with significant numbers of Council-funded clients. The potential impact on the Council would be a requirement to support individuals to move to a new care home, potentially out of the city, and a likelihood that any new placements would require a premium payment higher than the published rate level.</li> <li>• The opportunity to shift the focus of providers to better meet the needs of Southampton’s care clients will be missed.</li> </ul>
5.	<p><b>Re-instate a standard rate uplift for providers of council-funded care</b></p> <ul style="list-style-type: none"> <li>• Whilst this was an effective means of managing the risk of unforeseen failure in the local market at the onset of the COVID-19 emergency period, this is an inefficient way of targeting support in the medium to long term, and would fail to adequately ensure specific risks in the market are clearly identified and managed.</li> <li>• The estimated cost of providing an overall uplift is higher, at £2.4 million</li> <li>• This option would be unresponsive to changing requirements within the market.</li> </ul>
<b>DETAIL (Including consultation carried out)</b>	
6.	<p>COVID-19 has had a significant impact on the care sector providing services on behalf of the council. Providers are facing significant additional costs that puts them at risk of failing. This jeopardises the council’s duty to ensure the stability of the local care market. It is proposed to ring-fence a budget of £1.9 million for Adult Social Care to provide targeted support for the local care market to reduce the risk of providers failing in the short term, while more research is conducted to determine the longer term impacts of both COVID-19 and full EU exit on the sector, and the consequent impact on the council.</p>
7.	<p><b>Existing pressures</b></p> <p>It is recognised by the LGA and ADASS (Appendix 2), at both national and local levels, that providers are experiencing significant on-going COVID-19 related cost pressures. The usual provider rates do not account for these additional costs as they were set before the onset of the emergency period.</p>
8.	<p>Evidence from our local market intelligence is gathered through our weekly contacts with all care homes, regular contacts with home care providers, contact via Infection control specialists and a survey by Hampshire Care Association (HCA – Appendix 3). All this provides a very good level of information on the state of the local care market. This intelligence also identifies a range of areas where costs have increased and provides</p>

	<p>information on the likely costs that will continue to impact on the sector in the future. Cost increases overall are in the order of 18% for care homes alone.</p>
9.	<p>COVID-19 related cost pressures have arisen due to:</p> <ul style="list-style-type: none"> <li>• meeting the costs of staff who are isolating and not available to work. This includes the costs of payments to staff during these periods, and the costs of replacing them, including through bank and agency staff</li> <li>• the significantly higher cost of Personal Protective Equipment (PPE)</li> <li>• the cost of implementing Government policy with respect to shielding and social distancing within care settings.</li> </ul> <p>These costs relate particularly to care homes and home care, but also affect some providers of support for homeless people and those fleeing domestic violence and requiring accommodation and support. These additional costs will continue for the foreseeable future.</p>
10.	<p>While this proposal enables support to be focused mainly on providers operating in Southampton, it also provides the flexibility to increase support for council clients in homes outside of the city, where not supporting the cost would result in eviction of the client together with the consequent impact on the health of the individual and the potential for additional costs.</p>
11.	<p><b>Winter pressures</b></p> <p>The oncoming winter period provides more uncertainty for the market:</p> <ul style="list-style-type: none"> <li>• The way that COVID-19 and influenza will interact when present together is unknown but, like the council, providers are having to prepare for a significant potential impact.</li> <li>• There remains uncertainty over the private payer market and how quickly this may recover to pre-COVID-19 levels, or if there will be a long term reduction in demand. The LGA and ADASS advise that there will be no recovery in the self-paying market until 2021.</li> <li>• The need to retain staff, to keep them well and fit, and to ensure there is adequate cover is already leading providers to consider retainers for staff for this period.</li> </ul>
12.	<p><b>Support provided to the care market to date</b></p> <p>To date the Council has provided a number of measures to both care and support providers in the city, including easements to payment terms and utilising the additional resource provided to local authorities by central government:</p> <ul style="list-style-type: none"> <li>• Payment periods: Bringing forward regular payment dates to help providers manage cash-flow. This easement saw payments periods brought forward by two weeks for care homes and up to three weeks for home care providers. These formally ended in July 2020 and the council is returning to its normal payment periods from November in line with government guidance received to date.</li> <li>• 10% uplift for care packages: Awarding a 10% uplift in payments to providers for social care clients initially for the period 19th March to 30th June for all care packages commissioned, both inside and outside of the city. This was extended to 31<sup>st</sup> July 2020 for packages commissioned within Southampton only.</li> </ul>

	<ul style="list-style-type: none"> <li>• Pass-through of Infection Control Fund grant of £2million: However, for care homes, costs related to PPE and deep-cleaning were excluded from this funding. The grant covers spend incurred in the period 13th May to 23rd September only. It is the Infection Control Fund monies that we are expecting most care providers to utilise to cover their additional costs between August and the end of September. The additional resource requested will then provide appropriate support from October 2020.</li> <li>• Managing additional requests for support: Work has been taking place to actively support the market and understand their current issues and respond accordingly.</li> <li>• There is significant additional support provided by the Integrated Commissioning Unit (ICU) and others for the sector. This includes: <ul style="list-style-type: none"> <li>○ Guidance, support and training on a range of issues, including Infection Prevention and Control</li> <li>○ Ensuring clinical support is in place, including Enhanced Health Care</li> <li>○ Workforce support and resilience, including resources for supporting staff, access to recruitment campaigns and regularity of contact to ensure issues are identified early</li> <li>○ Digital access and support to enable better communications and to enable providers to access the training and information provided</li> <li>○ On-going communications with providers disseminating guidance, updates and other key information.</li> </ul> </li> </ul> <p>This is outlined in the Care Home Oversight Action plan.</p>
13.	<p><b>Southampton in a regional context</b></p> <p>Councils within the south east region are making decisions to provide a level of on-going support</p> <ul style="list-style-type: none"> <li>• Hampshire County Council provided financial relief in the form of rate uplifts to adult social care service providers until the end of July, but this has been extended to the end of September with officer delegated decisions available to further extend the support until end of October 2020.</li> <li>• Portsmouth continue to provide a guaranteed a minimum level of payment for providers. This is gradually being phased out, and by the end of October will no longer operate. They continue to operate an emergency fund for providers most at risk.</li> <li>• In the wider South-East, councils are increasingly moving to providing a service sustainability fund to help with excessive PPE costs and provider financial difficulties. Examples include Buckinghamshire, Medway, Oxfordshire and Surrey. They are using the Infection Control Fund money to provide for the additional costs faced by homes until the end of September, with a view to considering longer term support during this period of time.</li> </ul> <p>In addition, Southampton CCG is expecting to offer a further 10% uplift on its commissioned packages of care until end of September in line with CCG's across Hampshire. This will be payable regardless of where the care home is situated.</p>

14.	<p><b>Meeting the long term costs in the market</b></p> <p>Using the budget in a targeted way will enable the council to ensure the market is sustained for this financial year. A longer term review of the position is currently being commenced by the ICU. This is focusing on:</p> <ul style="list-style-type: none"> <li>• Understanding the greatest risks to the sustainability of the market and targeting support and resources appropriately.</li> <li>• Understanding future demand</li> <li>• Setting realistic rates for purchasing care provision based upon a better understand of the costs of care for the future.</li> <li>• Commencing work on re-shaping the market to better reflect the needs of the city.</li> <li>• Focusing on providing for a greater range of needs by ensuring clarity to the market on current and future requirements.</li> <li>• Develop new relationships with the market to secure capacity, access and sustainability of key resources.</li> </ul>
15.	<p><b>Focusing the support</b></p> <p>It is expected that the majority of the budget will be spent within the care home and home care markets, but with the flexibility to meet needs in other segments of the care market, where required. It will be focused on Southampton-based services, but there will be a need to consider the costs associated with some Southampton clients in homes outside of the city at times. The budget will be used both tactically and reactively. Tactically, the budget will be used to support segments of the market or to respond to specific requirements, such as evidenced increased costs or to support service re-shaping to fill gaps in the local market. The budget may also be used on a reactive basis to provide short-term support to individual providers in greater financial difficulty. Use of the budget will be evidence-based, with open book accounting principles being followed, and excess costs being verified.</p>
16.	<p>Support will be focused on meeting the exceptional circumstances faced by providers over the winter period. This may be the result of the additional costs for staff or PPE. It will also focus on providers experiencing significant issues with financial viability and cash-flow problems, or where there are risks of current placements failing without additional support.</p>
17.	<p><b>Tactical deployment</b></p> <p>The resource will be used to tactically incentivise the market to, for example, provide services to a different cohort of clients and to meet the complex needs of former COVID-19 patients. There are opportunities to re-shape some services away from the self-payer market, where this will increase capacity for the council and CCG. This could include increasing the availability of care for those who have the most complex needs – a group for which both the council and CCG currently rely increasingly on out of area providers to offer suitable placements.</p>
18.	<p><b>Targeted reactive support</b></p> <p>The resource will be available to help manage the risks of provider failure and to shore up the market at times of particular pressure. The expected increase in COVID-19 cases in the autumn and winter periods is one likely period when</p>

	support may be required, as providers face additional staff costs to cover for those who are self-isolating; costs arising for the additional time spent with clients who are having to be isolated.
19.	<p><b>Process for managing additional support requests</b></p> <p>Working closely with Finance colleagues, the ICU is developing a process for managing requests for additional support (Appendix 4). Most requests will be able to be dealt with simply through analysis of costs and the existing budget position of providers. However, for some requests a much more detailed analysis will be required. This will be enacted in the following circumstances:</p> <ul style="list-style-type: none"> <li>• few council clients being funded within the service (fewer than 30% of capacity)</li> <li>• high vacancy levels in the service</li> <li>• reduced capacity of the provider</li> <li>• high cost of provision in relation to similar providers</li> <li>• Where the provider's view of the service's long term viability assumes a profit margin of more than 5%</li> <li>• other factors requiring more details analysis</li> </ul>
20.	<p>The process followed in these circumstances will include:</p> <ul style="list-style-type: none"> <li>• <i>Financial analysis of the providers</i>, to ensure additional costs are verified.</li> <li>• <i>Alternative approaches available</i>. Considering other ways for the council to provide bridging support.</li> <li>• <i>Value for money</i>. This will include an assessment of the profitability of the service in past years, the rate of financial returns and dividends paid to owners, and the longer term financial plans of the provider.</li> <li>• <i>The cost of provider failure</i>. This will compare the costs of providing support in both the short and longer terms with the costs associated with a provider's exit from the market. This will take account of: <ul style="list-style-type: none"> <li>○ the immediate costs associated with supporting clients and finding new care arrangements and the price of those arrangements; and</li> <li>○ the costs associated with providing short-term financial support and the risk that this may result in long-term additional spend.</li> </ul> </li> </ul>
21.	<p>The information will be matched with the ICU's market knowledge which will further assess the reasonableness of the additional support approach. This will provide information on:</p> <ul style="list-style-type: none"> <li>• Longer term sustainability of the service. An assessment of the likelihood the service will be able to recover.</li> <li>• Vacancy data – to determine if the service is financially sustainable in the longer term.</li> <li>• Client need data – to assess if there are ready alternative providers.</li> <li>• Strategic analysis of the provider and service position in the market, including: <ul style="list-style-type: none"> <li>○ local strategic importance of the service</li> <li>○ impact on clients and the council of provider failure.</li> </ul> </li> </ul>
22.	The ICU is finalising a risk and decision matrix to ensure transparency and fairness in determining the appropriateness and type of support provided for

	some providers. This will use information from the provider, from commissioners' knowledge of the market, and negotiations with providers to determine the risk to the council if support is not provided and the type of support that will best help the council in maintaining access to services. The matrix will be tested against provider scenarios to ensure its robustness.
23.	Communication with the sector will need to be carefully managed to ensure any temporary support does not inadvertently evolve into long term cost pressures. The need for future support will be the subject of the long term requirements work outlined above, taking account of the future economic and national policy context that prevails at that time.
24.	While it is generally not in the interests of the council to enable providers to fail at this time, managing provider exits from the market if there are suitable and financially viable alternatives available, is an option available and to be considered as part of this process. This will mean the response will be based on the market as it currently stands, but with the flexibility to secure changes as required.
25.	<b>Sustaining the market and ensuring access for council clients</b> Adult social care service providers are facing an unprecedented challenge and it is likely that the cost of providing care and support services will be higher than it was prior to the onset of the emergency period and for the foreseeable future. The Council will therefore review its commissioning arrangements and published rate levels for the next financial year in a manner that realistically accounts for the longer term impact of COVID-19.
26.	This work is part of significant commissioning work and is covering: <ul style="list-style-type: none"> <li>• Overview of current provision <ul style="list-style-type: none"> <li>○ strengths and weaknesses, capacity and under-utilisation.</li> </ul> </li> <li>• Demands on the sector and how the continuation of moving from residential settings to care at home can be continued safely.</li> <li>• Responses to winter pressure demands.</li> <li>• The delivery of Potter's Court housing with care scheme in quarter one 2021, as well as the potential for developments in the future.</li> <li>• Managing risks of services closing <ul style="list-style-type: none"> <li>○ developing responses to potential closures</li> <li>○ ensuring key services are maintained, and</li> <li>○ continuing to shape the market to deliver the care required by the council and CCG.</li> </ul> </li> <li>• Workforce issues, including: <ul style="list-style-type: none"> <li>○ carer capacity</li> <li>○ how to support staff at work</li> <li>○ how to retain staff as the way the market delivers care continues to shift to the home care model.</li> </ul> </li> </ul>
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
27.	To date the council has provided support to the care sector of £1,932K, with a further £248K to be spent due to payments made in arrears. The total spent on these uplifts to date is therefore £2,180K. As the figures for home care are subject to monthly variance and are paid in arrears, a reconciliation process to

	determine the exact amounts paid will be undertaken once the final 10% uplift payments are made.
28.	Together with the proposed budget of £1,900K for the period October 2020 to March 2021, this will bring the total additional and directed support to £4,080K. The budget has already been included within the existing forecast expenditure in the current financial year as part of the Adult Social Care response to the Covid crisis.
29.	This is below the original forecast figure of £4,839K as the approach recommended for supporting providers will enable more effective targeting of support to specific elements of the market.
30.	All payments will be made in line with the Financial Procedure Rules and Contract Procedure Rules.
<b><u>Property/Other</u></b>	
31.	Not applicable
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
32.	S.1 Localism Act 2011 and Coronavirus Act 2020.
33.	The Care Act 2014, as amended by the Coronavirus Act 2020, places statutory duties on local authorities to promote the efficient, effective operation and sufficiency of the market for adult care and support, this includes support for self-funders. This approach will ensure that the Council is supporting providers to remain financial stable during this emergency COVID-19 period.
<b><u>Other Legal Implications:</u></b>	
34.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
35.	<p>This risk not to provide financial support in the ways identified within this report will:</p> <ul style="list-style-type: none"> <li>• Potentially destabilise the care market in Southampton; especially if multiple local care home or home care providers were to fail simultaneously.</li> <li>• Provider failure resulting in a reduction in provision available to support individuals.</li> <li>• Care home failure can have an adverse impact on the wellbeing of individuals placed in the home, as it has been shown that the move to an alternative setting can increase the risk that deterioration is accelerated and on an individual's quality of life.</li> <li>• Significantly affect Southampton City Council commissioning and contractual relationship with their providers.</li> <li>• Present Southampton City Council as an outlier compared to those within our region.</li> <li>• Further contribute to the fragility of the care market therefore affecting the Council's local supply of safe hospital discharge and the statutory</li> </ul>

	<p>responsibilities. This again will both have an impact locally and nationally, and increase the reliance on care homes outside of the city to meet needs, often at considerably higher cost.</p> <ul style="list-style-type: none"> <li>• Make it difficult for the council to demonstrate that they are meeting their statutory duties under the Care Act 2014 to ensure there remains a sustainable health and social care market.</li> </ul>
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**POLICY FRAMEWORK IMPLICATIONS**

36.	<p>This proposal contributes to:</p> <ul style="list-style-type: none"> <li>• Southampton City Council Strategy (2020-2025) – transforming adults’ social care. Ensuring a stable care market supports greater choice and control over the services they use, that access is straightforward and service provision is appropriate and timely.</li> <li>• Adult Social Care and Support Planning Policy, which outlines how the council deliver services in support of its duties under the Care Act 2014.</li> <li>• Joint Health and Wellbeing Strategy (2017-2025), supporting people to get the right care at the right time.</li> </ul>
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<b>KEY DECISION?</b>	<b>Yes</b>
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<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>ALL</b>
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**SUPPORTING DOCUMENTATION**

**Appendices**

<b>1</b>	<b>The Care Market In Southampton</b>
<b>2</b>	<b>ADASS/LGA report</b>
<b>3</b>	<b>Hampshire Care Association Report</b>
<b>4</b>	<b>Additional Support Process</b>

**Documents In Members’ Rooms**

<b>1.</b>	Not applicable
<b>2.</b>	

**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>Yes</b>
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**Data Protection Impact Assessment**

<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
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**Other Background Documents**

**Other Background documents available for inspection at:**

<b>Title of Background Paper(s)</b>	
<b>1.</b>	
<b>2.</b>	