

NORTH YORKSHIRE COUNTY COUNCIL

CARE AND INDEPENDENCE OVERVIEW AND SCRUTINY COMMITTEE

22 SEPTEMBER 2022

**HAS FINANCE PRESSURES UPDATE, including impact of ASC Charging Reform
("The Care Cap")**

1.0 Purpose of Report

1.1 This paper highlights the Q1 financial position facing HAS as at June 2022, with updates where available (Q2 figures to end of September are due in a few weeks' time), the management action that is being taken in response to ongoing pressures, and also sets out some of the background to the financial pressures being faced by the council and the social care sector as a whole. The paper also gives a summary of the changes being proposed by government regarding charging for social care and the potential impact on NYCC.

2.0 The Health and Adult Services Budget

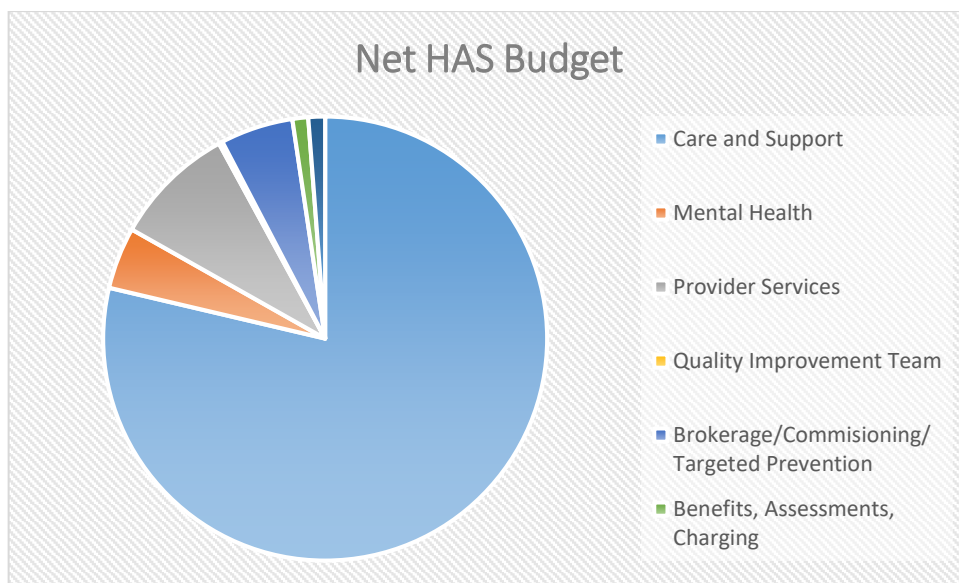
2.1 The HAS Directorate budget includes Adult Social Care, Public Health and some whole directorate costs.

2.2 In 2022/23, the current gross budget is £304m as shown below:

	2022/23
	£m
Net Directorate Budget	192
Public Health	24
Other income and grants	88
Directorate Gross Budget	<u>304</u>

2.3 Of the net budget, the largest area of spend is on Care and Support as shown below:

Care and Support	78.7%
Mental Health	4.5%
Provider Services	8.9%
Quality Improvement Team	0.3%
Brokerage/Commissioning/ Targeted Prevention	5.3%
Benefits, Assessments, Charging	1.1%
Cross-Directorate	1.2%
	<u>100%</u>



3.0 HAS Financial Pressures

3.1 The latest figures for the Health and Adult Services Directorate shows that a break-even position is reported but this is only possible due to £6m of growth allocated to the Directorate in 2022/23, plus the use of £1.8m of Improved Better Care Funding (IBCF) and corporate contingencies for additional inflation and hospital discharge. The HAS budget includes Adult Social Care, Public Health and some whole directorate costs.

3.2 The ASC pressures predicted, and for which, as above, the Council made some provision as part of the 2022/23 budget setting process, have now started to be evidenced. This can be seen within Care and Support and Provider Services in particular. These are as a result of the following:

- Increased discharge Costs and Temporary Placements following the end of the hospital discharge funding from central government at the end of 2021/22.
- Inflationary pressures arising from cost of living pressures, issues in the provider market and the impact of Cost of Care exercises
- Continuing Covid impact
- Staffing pressures leading to increased agency costs

3.3 In addition to these, we have not yet seen the impact of the reprourement of the Approved Provider List (impact from October) and the implementation of Fair Cost of Care for domiciliary packages (as part of Trailblazer). The pressures listed above are already eating into the funding set aside for Cost of Care and therefore there is a significant risk that, even with full use of the funds set aside, the position will deteriorate further and tip into an overspend.

Public Health

- 3.4 Public Health is balanced to a net zero in the Council's Quarterly monitoring reports. The Public Health grant has reduced in real terms in recent years and is currently £23m. Planned spend in 2022/23 is £24.2m with the difference being met from earmarked reserves.
- 3.5 The latest figures show that following reductions in activity due to the impact of the pandemic, this is not picking up with levels returning to normal.

Trailblazer

- 3.6 As described further below, NYCC is one of six Trailblazer councils who are working with the Department of Health and Social Care (DHSC) to implement Adult Social Care charging reform ahead of it being rolled out to the rest of the country. The figures presented in the Q1 report assume that any costs incurred by the Trailblazer project will be offset in full from additional grant, but this is by no means certain.

Financial Management

- 3.7 The Directorate instituted a financial recovery plan during 2019/20, as reported to the Committee in previous years, and despite the pressures caused by COVID, work continues to ensure that we manage costs down as much as is possible.
- 3.8 The following areas of work have are being undertaken or are in place to assist management of the budget:
- Revised Scheme of Delegation
 - Budget Management Skills
 - Improved Forecasting and other business processes
 - Improved data monitoring and budget tracking
 - Development of a budget performance and activity dashboard
 - Practice Review meetings
 - Introduction of training materials
 - Professional Reasoning checklist
 - Closer scrutiny of adult social care activity, practice and performance
 - Clear exit strategies for temporary funding and projects
 - Ensuring the correct split of costs between NYCC and NHS (especially Continuing Health Care) and people who use our services

- 3.9 Indeed, the need for sound financial management and reporting is magnified due to There are a number of underlying issues to be aware of which continue to add budgetary pressures to the service.

Hospital Discharge

- 3.10 The Covid-driven policy of taking people into social care before assessments are undertaken continues but now has to be funded by the council. In 2020/21 and 2021/22 additional funding was made available to support this. Any personal contributions from people cannot start until the social care assessment has been

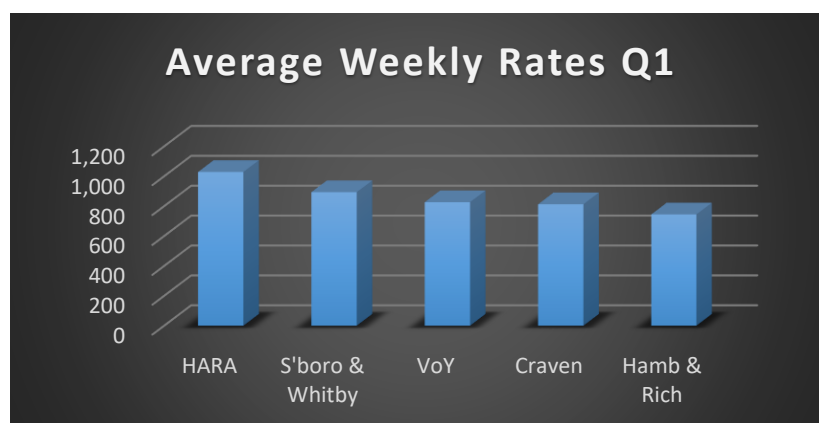
done. The Council set aside a contingency of £1.75m this year to support this. Initial indications at Q1 suggest all of this funding will be required.

Market Costs

3.11 We continue to see increased market pressures and some of these are highlighted below, with further discussion in section 4:

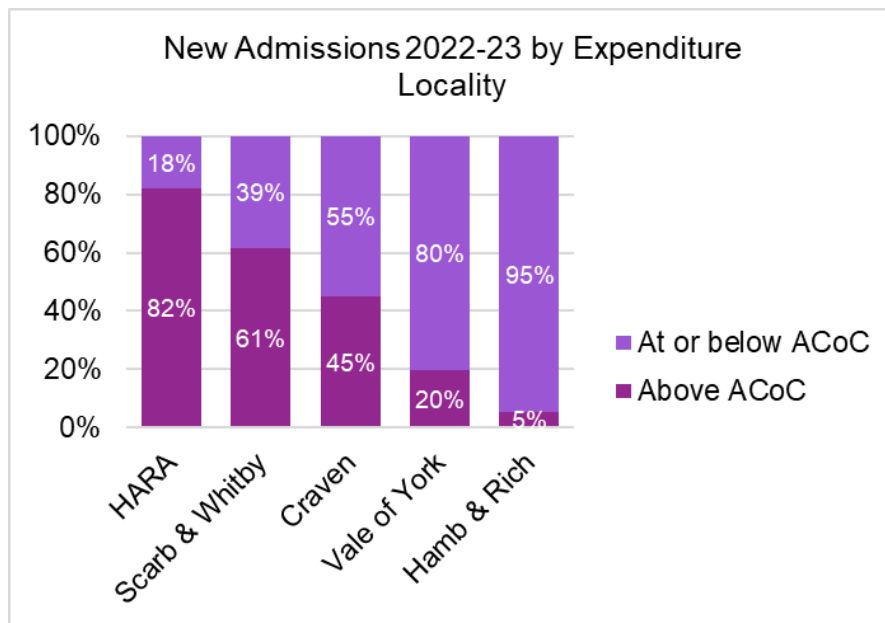
- a) The average cost of a residential/nursing placement for the 65+ age group in June 2022 was £886 which is an increase of £92 or 6.8% year on year. All locality average costs continue to be above the approved rate. The cost in Harrogate is 18% (£142) per week higher. The disparity across the county can be seen in the table and graph below

	2022	2021	change	change
Harrogate and Rural Alliance	1,029	951	78	8.2%
S'boro & Whitby	894	785	109	13.9%
Vale of York	827	765	62	8.1%
Craven	813	785	28	3.6%
Hamb & Rich	745	674	71	10.5%
Average	886	796	90	11.3%

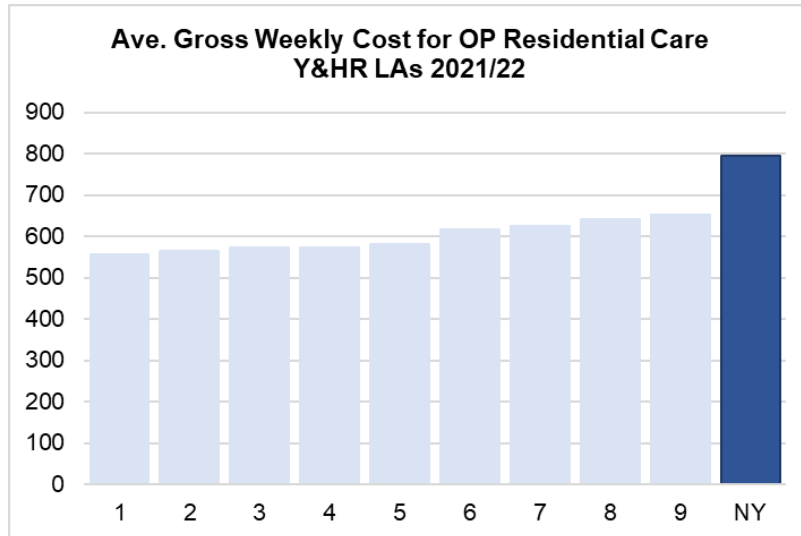


- b) The market rates variability across the county is due to availability and demand. Where there is low demand and high availability, market rates are often lower. This is a particular issue in Harrogate as can be seen above. The issue of availability extends to alternative types of provision. For example Hamb/Rich has relatively more Extra Care provision available in the locality, which helps keep res/nursing costs down as demand is lower as it is easier to source community-based alternatives for a wider range of needs.
- c) These rates compare with the agreed Actual Cost of Care rates (see section 3.12 below) of:
- Residential: £742
 - Residential with Dementia: £784
 - Nursing: £819
 - Nursing with Dementia: £826

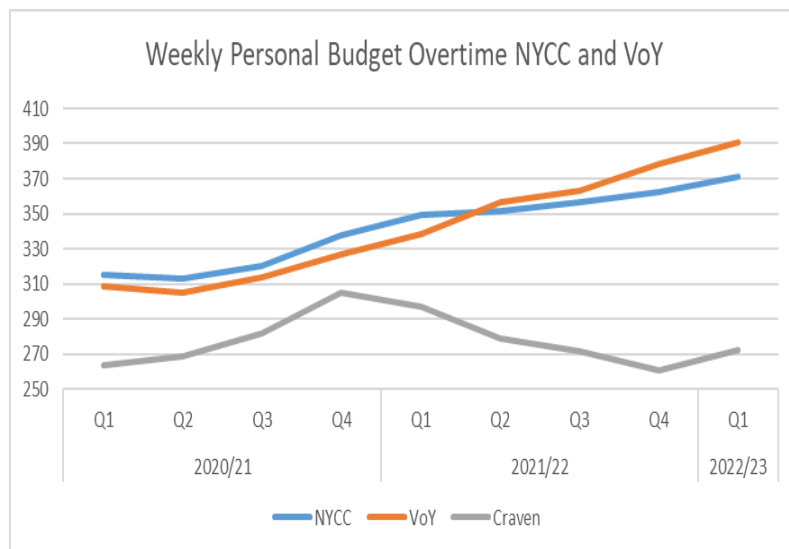
- d) 47% of new admissions in Q1 were above the Actual Cost of Care rate (ACoC); 45% of nursing care placements and 46% of residential care placements were above the ACoC rate.
- e) The proportion of placements above the ACoC by locality is shown in the chart below



- f) Comparative rates for average weekly costs for OP residential placements for Y&HR LAs using provisional 2021/22 data are shown below, where North Yorkshire returned the highest average cost amongst the 10 LAs sharing data.



- g) The average cost of a community-based Personal Budget for people aged 65+ increased to £371 in Q1. There continues to be variation across the county:
- o the highest average weekly personal budget is Vale of York at £391 (5% higher than the NYCC average); and,
 - o the lowest is Craven at £273 (36.1% lower than the NYCC average).
 - o The chart below shows the trend over time.



- h) Further information on domiciliary care rates can be seen in section 4 below

Inflation

3.12 An Actual Cost of Care (ACOC) Exercise for residential and nursing care was undertaken in 2019/20 and, after pausing due to Covid, has been implemented from April 2022. The new rates (as set out in 3.9(c) above) will be implemented for

existing packages over three years. In essence that means that each package would receive 1/3rd of the difference between the current rate and the ACOC rate, reaching full ACOC by April 2024. This is a significant increase in care rates paid to providers in North Yorkshire as we move to full implementation of ACOC, but it is necessary to ensure continued provision for people with care needs in the county and to support providers. For those packages that were receiving the previous county rates of £592 (nursing) and £599 (residential), they have seen an increase in the rate of up to 16% from April 2022.

- 3.13 The general inflation rate in 2022/23 was 5% for packages below the ACOC rate and a similar principle was used for domiciliary packages whereby lower-funded packages were given a bigger increase.
- 3.14 However, as members will be aware, inflation is currently running at rates not seen for many years, with CPI at 10.1% in July. This is leading to significant lobbying from providers to allocate further funding (see 4.18 below).

Staffing

- 3.15 An analysis of community teams' capacity suggests a vacancy rate of 5% to 31%, with an average of 21% and this is impacting on provision, as discussed elsewhere on the agenda.

4.0 Key Market Issues

- 4.1 The next few paragraphs set out a summary of the current market position and the issues we face.
- 4.2 The care market in North Yorkshire is large in size which is relative to the geographical nature of the County.
- 4.3 Workforce pressures are significant with a heavy reliance upon agency staff to maintain safe services. The shortage of registered nurses has seen 212 nursing care beds lost with homes de-registering in the last 2 years due to lack of registered nursing personnel. A number of homes are reporting a future intention to de-register. Workforce and retention issues are leading to vacancies in care homes which cannot be staffed.
- 4.4 Across the County there is a shortage of placements for people with very complex requirements including dementia care. There is also a legacy of provider failure with 173 Nursing beds and 82 residential beds closed in the last 2 years.
- 4.5 NYCC currently commissions 130 domiciliary care providers to support people over the age of 18. There is a significant level of diversity in the domiciliary care provider market.

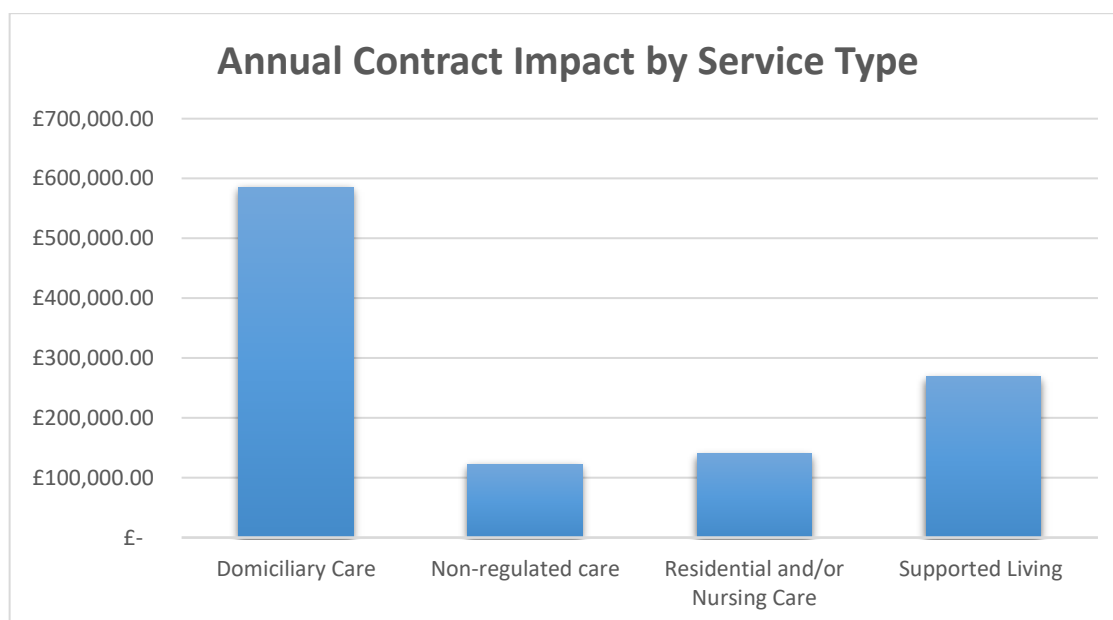
- 4.6 Domiciliary Care providers employ approximately 5,162 staff ranging from services employing as little as 3 staff and one as many as 800 staff.
- 4.7 North Yorkshire has some deeply rural and sparse parts of its population and rural areas are particularly difficult to commission domiciliary care due to the distances required to travel and shortage of workforce. This has a financial impact too.
- 4.8 Providers are reporting that many staff are choosing to leave the sector, due to no longer having a desire to work in social care, many are reporting the impact of the pandemic on a feeling of burn out and others are leaving due to higher pay in other sectors. This has been a significant factor in the 300+ packages of care handed back to the Local Authority in the last 12 months.
- 4.9 The 18+ domiciliary care rates paid in the last financial year are detailed below.

	Personal Care (Generic)	Personal Care (Enhanced)
Urban	£21.41	£22.84
Rural	£22.67	£23.84
Super rural	£25.30	£25.43

- 4.10 Fee rates are the main rationale for providers seeking financial support via the Council Sustainability Policy and we have seen a growing number of applications through this process in the last 12 months.
- 4.11 A survey of care providers was undertaken in June 2022 sharing feedback on their current position and some of the key messages that came from that exercise included:
- Recruitment and retention of workforce
 - Fuel and energy costs
 - Rising insurance premiums
 - Inflation
- 4.12 A range of national and local support mechanisms have been in place since early in the pandemic to reduce the financial impact of the pandemic on the care market and, where possible, prevent provider failure. This includes support from central government, including:
- i) Infection Prevention Control funding;
 - j) A national Personal Protective Equipment portal; and,
 - k) The block purchasing of discharge beds.
- 4.13 At a more local level, the county council has implemented:

- Compensatory payments;
- Supplier relief and hardship processes;
- Payment on planned activity; and,
- Payments in advance for the annual inflation settlement

- 4.14 The Strategic Market Development Board is in place to address the wide range of challenges in the social care market, and to provide a strategic focus on the implementation of solutions.
- 4.15 The Board has a multi-agency membership, and has set key priorities for its development work. One of the key areas of work relates to the £167 Million spent each year via three approved provider lists (APLs), covering care homes and extra care, day services, supported living and domiciliary care.
- 4.16 The re-procurement of the APLs is underway and four APLs will go live on 1 November 2022 for the provision of residential and nursing care, supported living, home based support and community based support. Applications to each of the new APLs are in the process of being evaluated, on completion of the evaluation an assessment of the likely financial impact will be undertaken.
- 4.17 Since September 2021 we have received 38 sustainability requests from care providers, seeking additional support to continue to operate. Pre-pandemic we would expect to see four or five per year. These requests, where we have agreed support, have resulted in additional costs in excess of £1m (as illustrated below) and we expect this trend to continue and perhaps accelerate.



- 4.18 As reported to Executive as part of the Q1 Budget Monitoring report, to assist providers further with acute financial pressures, including increased fuel and energy costs, a one-off payment has been made to residential homes (£500) and to all community-based care (an increase of 50p per hour for three months).

5.0 Future Funding Issues and ASC Charging Reform

- 5.1 As previous papers to the Committee have set, we have long been concerned about the future of Adult Social Care funding remain and we continue to work with organisations such as the Association of Directors of Adult Social Services, the Society of County Treasurers and the County Councils Network to lobby central government for a fairer funding settlement in this respect.
- 5.2 This concern has increased in recent years as a result of the market pressures set out above and the acceleration in the cost of living.
- 5.3 Ensuring that there is sufficient funding in the system to deal with issues such as cost pressures, capacity and recruitment, remains our main concern.
- 5.4 In the past, and as part of our response to the discussion on the funding of social care, we have also advised that we need to review and decide what is the responsibility and resulting costs of the state and what we agree should fall on individuals and families. In this we need to reflect on charges to people and revisit means test and needs test thresholds. We should be cautious about the unintended consequences of including people's homes in financial assessments for home care.
- 5.5 Last year the government published proposals that seek to address this last issue. This will mean that anyone with assets of less than £20,000 will not have to pay anything towards the cost of care either at home or in residential care from October 2023. People with more than £100,000 in assets will pay all such costs until they reach a maximum of £86,000. Those with assets of £100,000 or less will pay a means-tested proportion towards their care costs, again until they reach a maximum of £86,000.
- 5.6 North Yorkshire has agreed to be one of six "Trailblazers" for the new proposals.
- 5.7 The Committee received a presentation on the changes at its meeting in June and therefore this detail will not be repeated here.
- 5.8 Work has been ongoing to prepare for implementation in the new year. The initial target date of January for Trailblazers is now widely seen as impractical, partially as the government is only now consulting on funding for next year. Final funding allocations are not expected to be known until late December and any final decision to proceed will be dependent on assurances that this funding will cover costs.
- 5.9 This decision is expected to coincide with the budget process for Council.
- 5.10 In the meantime work continues on looking at the new processes that will be required to deal with a significant increase in workload. This includes
- Continued engagement with DHSC on better ways to 'co-produce' model
 - Establishment (with DHSC and other Trailblazers) of financial modelling working group
 - Continued development of target operating model, with pathway mapping sessions to understand detailed scenarios and impact across teams. This will feed into workforce modelling.

- Technical options appraisal under development to identify preferred technology solution,
- Communication with DHSC re: Market Sustainability Plan/Fair Cost of Care exercise
- Initial appointments made through overseas recruitment, with expectation that new employees will start in post in January 2023.
- Engagement with DHSC around Go Live timescales

5.11 Once the impact of this work is clear (including costs and funding), officers will update members ahead of any financial decisions.

6.0 Recommendations

6.1 Overview and Scrutiny Committee is asked to note the contents of the report.

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