NORTH YORKSHIRE COUNCIL

CARE AND INDEPENDENCE AND HOUSING OVERVIEW AND SCRUTINY COMMITTEE

7 DECEMBER 2023

HAS FINANCE PRESSURES UPDATE, including update on work relating to ASC Charging Reform

1.0 Purpose of Report

1.1 This paper highlights the Q2 financial position facing HAS as at December 2023, 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 notes that the government's proposals to change the way and amount that people pay for care for social care have been stood down for the time being.

2.0 The Health and Adult Services Budget

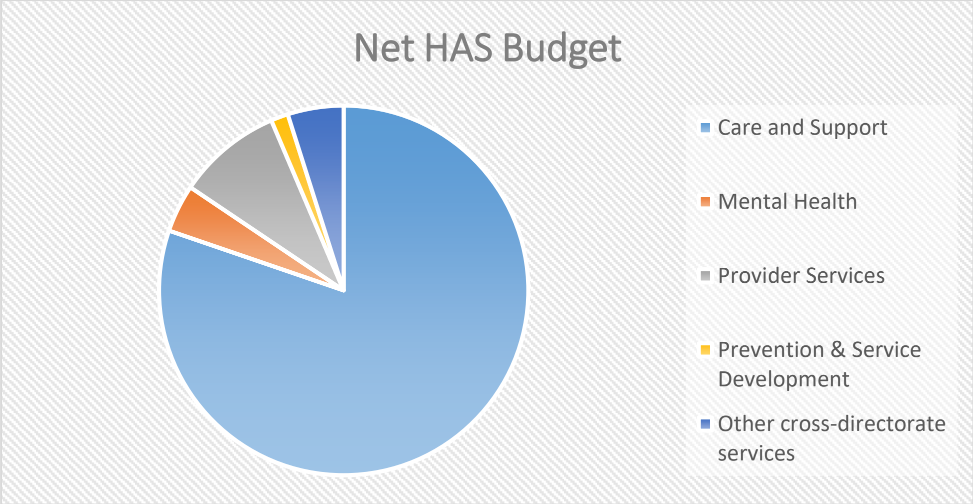
2.1 The HAS Directorate budget includes Adult Social Care, Public Health and some whole directorate costs.

2.2 In 2023/24, the current gross budget is £341m as shown below:

	2023/24 £m
Net Directorate Budget	223
Public Health	24
Other income and grants	94
Directorate Gross Budget	341

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

Care and Support	80.2%
Mental Health	4.2%
Provider Services	9.2%
Prevention & Service Development	1.5%
Other cross-directorate services	4.9%
	100%



3.0 HAS Financial Pressures

3.1 The latest figures for the Health and Adult Services Directorate shows that an overspend of £2.2m is expected in the current financial year. This is a worsening position from Q1, where the directorate was forecasting to overspend by £0.5m, and this is after the Council's receipt of additional one-off Market Sustainability and Improvement Workforce Funding of £3.7m in the quarter, of which £2.9m is supporting the increased costs.

3.2 It is important to note that to arrive at the Q2 position, the directorate will need to utilise all of the additional growth and contingencies set aside as part of the budget setting process.

3.3 The impact of the implementation of the new Approved Provider Lists (APL) is continuing to cause budget pressures within the service. The new rates charged by providers are generally higher than before and while those new rates only apply to new placements or packages of care, the numbers are showing a more rapid conversion to them than expected. Work is therefore being undertaken to understand this pattern and to ensure that rates are being correctly applied.

3.4 We are continuing to see increasing high-cost packages of care and average costs are continuing to increase each quarter. For example, 27 new high cost residential and nursing packages have been identified in the quarter, increasing gross costs by around £2.9m. Containing such costs is one of the Directorate's key financial priorities over the next few years, as well as ensuring that we receive the right level of NHS funding when care costs cover both health and social care needs and we have incorporated our assumptions about Continuing Health Care (CHC) income. Work is already underway with a new CHC team to ensure consistency of practice and approach and that all eligibility of funding is achieved; this will be followed up with a Deep Dive into CHC practice in December.

3.5 Increased Discharge Costs. We continue to see very high levels of hospital discharge activity, with an average of 14.2 per day in Q2. This is a small improvement since Q1 but we note that activity in September averaged 15.4 per day. On some days (one in four), there were over 20 discharges. The critical factor continues to be localised surges in the number of discharges, which can quickly use up available domiciliary care capacity necessitating use of short-term care beds instead.

3.6 The headline figures mask some areas of progress. For example, another key priority for the service is to manage down the number, length, and therefore cost of, short-term placements. Work has already started on this, and we are estimating a reduction in-year of around £0.8m as other types of support are implemented. We expect this trend to grow and costs to reduce more in future years.

3.7 We are also seeing a significant reduction in one-off support to providers. While inflationary pressures arising from cost of living and recruitment issues in the provider market remain, the number of requests in the quarter for such support have decreased considerably in the past twelve months. Those approved in quarter have resulted in additional annual costs of around £0.2m. This compares with a figure of £1.8m this time last year.

3.8 Many of the financial pressures are arising from issues in the market and these are illustrated further in the next section.

The Social Care Market

3.9 There are two major issues which are impacting on what we pay providers. The first of these is the continuing impact of implementing the Actual Cost of Care (ACOC) Exercise for residential and nursing care. Transition towards this began in April 2022 and this meant that the new rates are to be implemented for existing (legacy) packages over three years. As all new placements are guaranteed to be paid at the ACOC rate, we will have full ACOC coverage by April 2024. The rates for 2023/24 are:

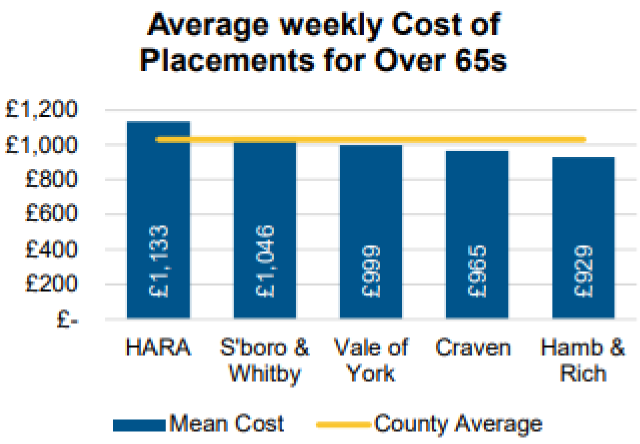
- Residential: £812
- Residential with Dementia: £854
- Nursing: £896
- Nursing with Dementia: £903

3.10 To recognise the significant cost of living pressures and high inflation, these rates were increased by up to 9.4% this year.

3.11 The second issue, as mentioned above is the implementation of the new Approved Provider Lists (APLs) for all types of residential, nursing, and homebased care, and Supported Living.

3.12 These changes, and other market pressures, continue to have a financial impact, and there are significant variations across local care markets. The greatest cost pressure continues to be evident in Harrogate.

3.13 The average cost of a care home placement for someone aged 65+ increased to £1,032 per week at the end of Q2, up by £20 per week compared with Q1. That represents a 14% (£130 per week) increase compared with the end of Q2 in 2020/21. These rates, shown by locality below, are clearly higher than ACOC.



3.14 For Home-based care, the APL rates charged by providers reflects the diverse market we have in North Yorkshire. We specify three types of rates:

- Urban
- Rural
- Super-rural

3.15 Currently, generic homecare rates range from £24.20 per hour (in the former Craven District area) to £28.96 (in Harrogate and Rural Alliance). Enhanced rates range from £25.43 (in the former Hambleton and Richmondshire district areas) to £29.21 (Harrogate and Rural Alliance). In each case the lower rate is Urban, the higher is Super-rural.

3.16 These rates are among the highest in the country. In July 2023 the Department of Health and Social Care (DHSC) published a report "Market Sustainability and Improvement Fund (MSIF): provider fee reporting 2023 to 2024[1]" which stated that the average rates paid nationally compared with North Yorkshire rates were:

	England	North Yorkshire
Residential 65+ (per week)	£804	£960
Residential with Nursing 65+ (per week)	£937	£1,213
Residential 18-64 (per week)	£1,155	£1,817
Residential with Nursing 18-64 (per week)	£1,253	£1,498

[1] https://www.gov.uk/government/publications/market-sustainability-and-improvement-fund-2023-to-2024-care-provider-fees/market-sustainability-and-improvement-fund-msif-provider-fee-reporting-2023-to-2024

Homecare (per hour)	£22.55	£27.57
Supported Living (per hour)	£20.06	£24.37

3.17 In November 2023, the Homecare Association published its report: The Homecare Deficit[2]. In that it argued that many Local Authorities were not paying its recommended minimum hourly rate of £25.95 and that the average was in fact £21.59. North Yorkshire was one of few councils above this rate. The HCA's estimate for North Yorkshire, based on a sample week, was £27.80.

3.18 The extra cost in North Yorkshire is in part due to a rural premium that we have to pay. We have calculated that key ASC workers in the county spend 45 minutes on average as "downtime" – for each visit in rural areas. This compares with 20 minutes in urban areas. This is reflected in the rates we charge where costs in super-rural areas can add £4.50 to the hourly rate.

3.19 We have lobbied for many years about this cost and most recently, in our Market Sustainability Plan noted that sourcing packages of care in rural areas is particularly challenging. Delivering services in rural and super rural area is becoming unprofitable, resulting in providers refusing or handing back packages, and removing rural areas from their service footprint. Key factors include increasing fuels costs; workforce shortages; inability to secure office bases or create sustainable runs; and concerns about the safety and welfare of lone workers.

3.20 Some actions are being taken, as explained above, to reduce the reliance on (and therefore higher cost of) short-term placements. Our key priority over the next few years will be develop capacity in the market to ascertain if we can reduce the costs of care to a level closer to those seen elsewhere.

3.21 For example, and as set out in more detail in the Q2 Performance report to Executive on 28 November, we are continuing to explore options for Extra Care to increase the range and spread of alternative options to care home placements across the county. Where appropriate, Extra Care can support people at a lower cost in a setting that provides them with greater independence with access to care and support in response to their changing needs.

3.22 We are also exploring the possibilities of creating a Specialist Care approved provider list and undertaking a Specialist cost of care exercise. Currently, the authority does not have a tool to provide analysis and a standard evidence base to support its negotiations when challenging the care costs being put forward by providers. The exercise incudes discussions with other local authorities for their views on a regional tool to aid negotiation with regional providers, and a review of the available options, including Care Cubed, a system that brings together local demographic, economic, property and care market data to support decision-making.

3.23 We have also recently agreed membership of a Joint Commissioning Group with the local Integrated Care Boards (ICBs). The board, which reports to the local Health and Care Management Group has a particular remit around market development and joint procurements.

[2] https://www.homecareassociation.org.uk/resource/the-homecare-deficit-2023-pdf.html

3.24 Further details of how we might be able to arrest the high levels of cost growth in the market seen in recent years, and which cannot continue in the current financial constraints, are being explored for conclusion in the discussions around the future MTFS.

3.25 Despite the constant financial pressures, the Directorate is aware that it makes up 40% of the Council's budget and therefore needs to contribute where it can to the MTFS Savings programme. To ensure we have a good grip on financial management we have implemented the following areas of work and these continue to be maintained:

- Revised Scheme of Delegation and Approvals Process
- 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

4.0 ASC Charging Reform

4.1 In 2021, the government published proposals to reform how much individual people contributed towards the cost of social care. This would have meant that anyone with assets of less than £20,000 would not have had to pay anything towards the cost of care either at home or in residential care from October 2023. The proposals meant that people with more than £100,000 in assets would pay all such costs until they reached a maximum of £86,000. Those with assets of £100,000 or less would pay a means-tested proportion towards their care costs, again until they reached a maximum of £86,000.

4.2 North Yorkshire had agreed to be one of six "Trailblazers" for the new proposals and has been working with those other councils and the DHSC to look at the impact of the proposals.

4.3 In November 2022, the government confirmed that the reforms would be delayed for at least two years (until October 2025). Our concerns about the cost of the reforms have been well documented, however we agreed that there were some areas of work, begun as a Trailblazer, we could build on to bring improvements and cost savings to the service.

4.4 For example, we had determined that the extra workload created by the proposals (including a significant increase in the number of social care and financial assessments required) would mean an increase in staffing which would have been difficult to recruit. Therefore, progress towards more digital self-service models – where appropriate – would greatly assist this. This is one area we have continued to pursue as it will deliver savings which will be much needed in the current financial climate.

4.5 In particular, the work to implement an online care act self-assessment and to improve the existing online financial assessment was identified as vitally important to help address ongoing issues with waiting lists and staff capacity. Online assessments will reduce the time required to identify eligibility for both care and financial support for an individual (see benefits) and help to manage demand at the front door.

4.6 Work has continued which focusses on the introduction of new technologies and processes to support better demand management, including the launch of an online self-assessment for care act eligibility, and a refresh of the online financial assessment tool. A business case was approved with the following objectives:

- Improve the customer experience of assessments and charging
- Introduce more effective systems and processes to manage demand for care act and financial assessments at the front door
- Contribute to the overarching HAS priority 'people get the right support at the right time'
- Ensure that assessments are relevant and proportionate
- Support customer channel shift to online self-assessment wherever it is appropriate to do so

4.7 At this stage the project has mostly achieved the milestones set out in the business case, with the governance approvals progressing as planned, as well as the online financial assessment (OFA) and client finance portal (CFP) launching within tolerance of the agreed Go Live date in August 2023. The launch of the Liquidlogic Adults and Delegation portals is scheduled for early next year.

4.8 Although it is still early days, initial data is showing an increase in the number of Online Financial Assessments being completed with the number in October (67) being more than double that of September (31). This performance will be closely monitored and will feed into further discussions around resources and impact on staff time.

5.0 Recommendations

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

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