

Adult Social Care Committee

Item No:

Report title:	Commissioning and Market Shaping Framework 2017/18 to 2019/20
Date of meeting:	6 November 2017
Responsible Chief Officer:	James Bullion, Executive Director of Adult Social Services

Strategic impact

The Care Act places a statutory duty on Norfolk County Council (the Council) to promote the effective and efficient operation of the care market. This is essential to enable the Council to meet the eligible care needs of all adults in the county, secure value for money and meet savings targets and create a sustainable care market.

Executive summary

This report sets out the proposed framework for commissioning and market shaping over the period 2017/18 to 2019/20. (See **Appendix 1** for the Framework document) It highlights the key changes that commissioning and market shaping needs to bring about to best support our Promoting Independence strategy to deliver our vision of supporting people to be independent, resilient and well and deliver the savings required over the period.

The framework provides the foundation for a clear commissioning and market shaping strategy to bring about the changes required in the market and in communities to realise our vision. Sector based plans for older people and working age adults are being developed to address the strategic priorities set out in the framework.

The reason for bringing this report at this time is to ensure Adult Social Care Committee (the Committee) are sighted on the risks and opportunities within the social care sector and in particular are aware of issues facing the market and proposed strategies for supporting a sustainable and vibrant market for care in the future.

Key Points:

- a) The Care Act places a specific statutory duty on the Council to shape its social care market
- b) Demographic growth indicates likely increases in demand for services at a time when budgets are decreasing
- c) The care workforce is not stable and Norfolk has significant gaps in key sectors such as nursing and homecare
- d) Care accommodation needs to be modernised and the supply of independent/supported accommodation increased
- e) The implementation of the PI strategy requires more reablement/enablement focused services across all types of care
- f) CQC and benchmarking data shows that quality of services, while improving, needs to improve further
- g) The care sector is a generally low paid workforce, additional costs and pressures have accrued from the introduction of the NMW
- h) Tools for shaping and supporting the market including workforce strategies, provider engagement forums, recruitment support and the market development fund are well developed
- i) Strategic priorities outlined in the Commissioning and Market Shaping Framework 2017-2020 will consolidate and support communication with market providers

Recommendations:

The Committee is recommended to:

- a) Agree the strategic priorities for market shaping and development set out in the Commissioning and Market Shaping Framework 2017- 2020, as set out in 3.11.2**
- b) Agree to delegate the development of sector plans, in conjunction with providers and users of services, based on the strategic priorities in the Framework**

1. Proposal

- 1.1 A new commissioning and market shaping framework is proposed setting out clear priorities to support the delivery of the Council's Promoting Independence Strategy, to support the delivery of the Norfolk Futures savings programme and maximise the impact of commissioning in shaping the Norfolk care market.

2. Evidence

2.1 Why do we need a new commissioning and market shaping framework?

- 2.1.1 The Council is under a specific statutory duty in the Care Act (the Act) to shape its social care market so that it operates effectively and efficiently providing a choice of good quality services which are sustainable in the long term. Commissioning has a vital role to play in ensuring that the Council discharges this market shaping duty successfully.
- 2.1.2 The market and system of care and support is complex. A commissioning and market shaping framework will ensure that the Council focuses its work on strategic priorities that guide commissioning effort and compliments related programmes in the health and care systems. These programmes include Promoting Independence, Living Well and the Sustainability and Transformation Plan.

3. National and local drivers of change

3.1 Demographic growth and financial challenges

- 3.1.1 Demographic trends show that life expectancy is increasing. This is a cause for celebration, however, it means that there will be a growing proportion of the population over the age of 75 with many living into their 90s. In Norfolk over the period 2015 to 2036 we expect an increase of 67,000 in the over 75s population. This is a 70% increase compared to a 13% increase in the population as a whole.
- 3.1.2 Additional financial pressures include:
 - a) a fall in funding and real terms spending on social care. Nationally, the Association of Directors of Adult Social Services (ADASS) reported in the 2016 Budget Survey the impact of pressures following five years of funding reductions totalling £4.6bn and representing 31% of real terms net budgets. In Norfolk, Adult Social Services has needed to deliver £90m of savings since 2010 in order to manage both rising costs and demand amid sustained reductions in funding
 - b) Over the period 2018/19 to 2021/22 Adult Social Care will need to deliver further savings of £69.619m
 - c) Introduction of the national living wage and the commitment to year on year increases which are not fully funded places further financial pressure on all councils

3.1.3 All of this means that shaping and managing demand in the care market will be crucial to the Council's success in meeting its financial targets whilst still discharging its social care duties under the Care Act.

3.2 **Workforce challenges**

3.2.1 The stability and capacity of the care workforce is a national issue that is brought into sharp focus in Norfolk. Over 27,000 people are employed in the social care market in Norfolk and recruitment and retention of staff is challenging with turnover rates approaching 30% in the care home sector and almost 50% in the home care sector.

3.2.2 There is a national shortage of nurses and in Norfolk over the past 12 months over 250 nursing beds have been lost. At least 7.3% of the care workforce currently comes from European Union (EU) countries. Norfolk has developed a workforce strategy but this needs to be re-profiled and is critical to success in shaping the supply side of the market.

3.3 **Care accommodation challenges**

3.3.1 The care estate needs to change. Approximately 90% of existing residential care homes were not purpose built and many are not registered to support people with dementia. We expect a significant rise in the number of older people in particular who will require dementia related care and/or nursing support. Whilst it remains important to ensure choice in the market it will become increasingly difficult for smaller homes faced with diseconomies of scale and the need to invest in the fabric of the building as well as training the workforce to meet these specialist needs going forward. There will be a need to invest in new purpose built care homes to meet the future demand for this type of care and support.

3.3.2 There are only 18 housing with care schemes supporting older people provided through social landlords in the whole of Norfolk providing 707 beds. There are a small number of privately funded schemes bringing the total up to around 1000 beds. Recent commissioning research suggests that about 1500 extra beds will be required as a minimum by 2036 to meet demand. Housing with care can also provide a more independent offer for working age adults particularly those with physical and learning disabilities.

3.3.3 Greater use of assistive technologies and digital solutions will play a key part in enabling people to remain at home longer together with the smart investment of disability facilities grant funding held by the district councils. The Council is already embarked upon a housing strategy and it will be important to ensure that it supports the developments required to deliver better outcomes for people and to deliver savings.

3.4 **Integrated provision challenges**

3.4.1 The Care Act lays down the challenge to local authorities and the health system to work effectively together to promote wellbeing and prevent, reduce or delay the need for social care. In the social care system services are provided almost entirely by a market of independent care businesses, national and local organisations in the community sector as well as countless community based groups, not forgetting the legions of unpaid carers.

3.4.2 The effective arrangement and use of these assets across the whole system to support people where they live is critical to successful market shaping. In Norfolk one of the approaches taken to achieve this is 'place shaping'. This means that we create services that really support wellbeing and the swift restoration of independence when help is needed to do so. These services wrap around and support key health infrastructure such as hospitals and GP surgeries.

3.5 Quality and market engagement challenges

3.5.1 The Committee considered the annual quality report at its June meeting. The report set out the quality of care in Norfolk both as measured through Care Quality Commission (CQC) inspections and through analysis of concerns, complaints, safeguarding incidents and other intelligence. There is a clear need to improve performance across the market as a whole particularly in the residential care sector. Securing high quality and a high performing market is central to effective commissioning and market shaping.

3.5.2 The relationship between the Council and the care market is fundamental to improving quality and performance and we continue to work with providers to ensure that the appropriate structures are in place to support inclusive engagement and dialogue that supports market shaping.

3.6 Value for money challenges

3.6.1 The Council spends £290m a year in the Norfolk care market. A comprehensive analysis of this investment by sector is set out in the commissioning led market position statement (see section 6. Background Documents). It is clearly essential that the Council is able to demonstrate that it is getting good value for its investment. To do so the Council needs to be satisfied on good evidence that its prices cover the actual cost of care and support sustainable provision in the long term. The statutory guidance to the Act requires councils to be able to show that prices have due regard to actual costs. Norfolk has successfully developed a cost model to enable the Council to confidently set its prices for residential care for older people and are working with providers to do the same for the working age adult residential care sector.

3.6.2 Commissioners have also completed a major analysis of cost in the home care market and have developed a new pricing structure for implementation from April 2018 which will signal significant new investment in this crucial market. Work across all market sectors will take place as our strategies develop.

3.7 Sustainability challenges

3.7.1 The Act and guidance require the care market to be sustainable in the long term and there are specific duties in the event of market failure. Striking the right balance between quality, value for money and choice on the supply side of the market is central to successful commissioning. The market is beginning to show signs of stress in both the care homes and home care sectors and commissioners will need to continue to strive to ensure that plans are mindful of the balance required.

3.8 Diversity and choice challenges

3.8.1 The Act requires a market that provides a variety of providers and services to provide choice for people whether or not they pay for the care themselves or the Council does so. This choice needs to be balanced against sustainability, quality and value for money. A market that is over consolidated may give value but creates risk if a key provider fails. On the other hand a market that has too many providers may provide greater choice but may not provide value for money. Commissioners have a key role to play in getting the right mix in the market.

3.9 What does the Care Act say about shaping and managing demand in the market?

3.9.1 The Care Act requires councils with adult social care responsibilities to promote the individual wellbeing of all adults in their areas. In doing so the Act emphasises the need to prevent, reduce or delay the need for care. Our new Living Well social work practice, founded on the three conversations model, will be key to ensuring that the Council is fully

aligned with these requirements. In effect this means that our social work practice will have a significant effect on the demand side of the market. As a result we expect both the level of demand for care services needed to meet eligible needs, and the types of care and support required, to change as adults are increasingly supported to be independent, resilient and well in their own homes and communities.

3.9.2 The Act also requires councils to ensure that all prospective care consumers are able to access sufficient information and advice to make informed choices about what is available to support them and what it might cost and who will pay. A good current example of doing so is the proposed support scheme for discharge from hospital which will feature a new, up to date, relevant and comprehensive information and support service to patients in hospital preparing for discharge. Further work will be needed to ensure that all care consumers are informed and supported to make effective care choices to shape demand for good quality cost effective services.

3.10 **What does the Care Act say about shaping and managing supply in the market?**

3.10.1 Having set out requirements that are essentially about managing the demand for care services the Act goes on to set out important duties that relate to the supply side of the market.

3.10.2 The Act requires councils to promote the effective and efficient operation of their care markets. In particular the requirements focus on quality, diversity and choice, value for money and sustainability. There is in addition a specific requirement to foster the care workforce.

3.10.3 Success in commissioning will be measured by the extent to which local communities realise independence and wellbeing and in particular the extent to which the formal care market can meet needs through a diverse range of quality, value for money sustainable services.

3.11 **The Commissioning and Market Shaping Framework**

3.11.1 The commissioning and market shaping framework (the framework) is intended to enable the Council to address these drivers of change and challenges as well as to effectively discharge its Care Act duties in relation to market shaping as set out above in this report.

3.11.2 The Framework is founded on the following ten fundamental strategic priorities:

Quality

- a) To improve and sustain the quality of care in the market
- b) To ensure that all care consumers have access to effective information, advice and support to enable informed choices in the care market

Promoting Independence and Stability

- c) To secure stable and sustainable supply in the market matching demand to best address eligible care needs
- d) To support a shift from residential care to housing based solutions for working age adults and older people where this delivers better outcomes and value
- e) To support carers and communities to maintain people's wellbeing
- f) To support early intervention and help to prevent the need for formal funded care including much greater use of technologies
- g) To effectively integrate market and place based services with health and housing services to create resilient places to support wellbeing
- h) To maximise value for money from our investment in the market and deliver savings

Workforce

- i) To foster the care workforce to secure and sustain the numbers and quality of people needed to provide the care that best meets demand
- j) To embed the shift to more enablement, reablement, resilience and independence in our investment in the market

3.12 Implementing the Framework

3.12.1 The framework provides the common set of principles and priorities to shape and direct all of our commissioning and market shaping over the coming years. It will be implemented through a series of sector plans which will describe the current state of the market, the demographic context, the expected future demand, and options or expectations for the future shape of the market in that sector. These will be developed in conjunction with providers and users of services over the coming months.

4. Financial Implications

4.1 The programme of work in the commissioning and market shaping framework is ongoing. However the significant financial pressures building in the market should be noted. Work on supporting the market, better provider communication and a cost of care exercise during 17/18 will ensure risks are identified and mitigated.

4.2 The cost of care exercises both completed and being undertaken provide a baseline understanding of the costs associated with delivering a service. However, inflation, legislation and market pressures are key components for ensuring that costs are updated and relevant to the Norfolk market. Prices are set as part of the annual budget setting process and necessarily take into account affordability. The challenge to balance quality, market stability, value for money and affordability is increasing as funding reduces and budgets are squeezed.

4.3 The Council aims to set out proposed prices for the following financial year in January each year. This enables the proposals to be considered as part of the budget setting process, including wider decisions affecting council services and agreement of key decisions such as council tax.

4.4 As part of the spring budget the Chancellor announced additional non-recurrent funding for social care in 2017-18 and two further years. A condition of the grant is that the funding is pooled into the Better Care Fund and plans for spending were agreed by the Council and Norfolk's Clinical Commissioning Groups in July. One of the conditions for use of the grant is to help stabilise the local social care provider market. Our plans have taken both the additional funding and improved better care funding into consideration in order to enable longer term decisions to be made. This will enable £9m of the 2017-18 funding to be earmarked to support the market, rising to £11m in 2018-19. This funding will help support implementation of some priorities arising from these plans, but further financial resources may need to be included within future year budget planning as requirements are developed.

5. Issues, risks and innovation

5.1 A review of the commissioning function is planned to bring forward proposals in the last quarter of the current financial year. These plans will support the continued integration of functions while ensuring that key Adult Social Care projects are delivered.

5.2 Legal implications

5.2.1 Market shaping, as proposed, is fully compliant with the Care Act.

5.3 Risks

- 5.3.1 There is a growing risk of market failure as demand for care increases and the cost of providing it (particularly in the most rural areas of Norfolk) increases beyond the Council's ability to fully fund all cost increases in all cases. Failures can range from insolvencies at one end of the scale(with potential permanent loss of capacity) to temporary interruptions in supply caused in the main by quality and performance issues at the other all of which increase the risk of being unable to secure the care that people need.
- 5.3.2 In the last two years over 250 nursing beds have been lost in the market. In most cases this was the result of care homes deciding to continue as residential only instead of residential and nursing due either to lack of placements and / or the shortage of affordable nurses. As the proportion of very elderly people in the Norfolk population increases more nursing capacity will be required.
- 5.3.3 Many residential care homes in Norfolk cater for frail elderly people but are unable to support such people who have dementia that drives challenging behaviours. An increase in dementia capable capacity will be required going forward.
- 5.3.4 There is a small (2%) but growing unmet need in the home care market with particular pressures in the North and South of the county. Three small providers have left the market in the last year and several other providers, large and small, continue to battle with quality issues giving rise to interruptions in supply. Without improvements in quality temporary interruptions in supply will become more common resulting in increased unmet demand.

6. Background Papers

- 6.1 [The Market Position Statement 2017](#)
[Adult Social Care Annual Quality Report 2016/17](#)

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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