

Report of: Director of Adult Social Care

Meeting of: Audit Committee

Date: 18 March 2024

Ward(s): All

Subject: Risk Deep-Dive: Social Care Market Instability

1. Synopsis

- 1.1. In accordance with its Terms of Reference, the Audit Committee (the Committee) is required to consider the Council's arrangements for corporate governance and risk management.
- 1.2. The Committee has agreed to conduct regular deep-dives on individual Principal Risks. The purpose of the deep-dive is for the Committee to obtain a deeper understanding of the chosen risk area, develop insight into risk controls and the action plan, and to get the opportunity to discuss the risk directly with the risk lead.
- 1.3. This risk sits on the corporate risk register and the local registers and is monitored regularly as a result. It is also monitored through the ASC Integrated Provider Quality Oversight Board for a borough wide view, and individually through contract monitoring.

2. Recommendations

- 2.1. The Committee is asked to note the risk management strategy for this Principal Risk.

3. Background

- 3.1 This report provides an update to Audit Committee following the report provided in January 2023.
- 3.2 Under the Care Act, Local Authorities have a statutory responsibility to provide a viable and sustainable social care market to meet the needs of the local population who meet Care Act eligibility. This includes a range of services including residential care, home care, support with connecting to the local community and employment support, for people with a range of needs and disabilities such as learning disability, mental health and physical health conditions.

Risks

- 3.3 Social care market instability continues to be a risk nationally and locally. The risks can be set out within four categories:
- 3.3.1 **Financial** – Rising cost due to inflation, increased energy costs, the rise in London Living Wage all impact the social care market, whilst the continued reduction of and pressure on Council budgets impact on the Council's ability to effectively support the market financially. As a result of this Adult Social Care are seeing a significant increase in the number of requests from providers for uplifts to fees for packages of care that are beyond the financial envelope available.
 - 3.3.2 **Rising demand and complexity** – the Council is seeing a rise in the complexity of needs of people requiring support from Adult Social Care. This can be challenging for providers to support, requiring a more specialist workforce and increased staffing, again giving rise to significant additional costs.
 - 3.3.3 **Workforce** – it can be challenging for providers to recruit and retain skilled staff. This is particularly challenging with inflation running at a high level and the cost of living crisis affecting adult social care workers, who are often paid less favourably than people working at similar levels in other sectors.
 - 3.3.4 **Quality of provision** – as the financial pressure on the market increases this can impact on quality of care because of the recruitment challenge as well as the lack of investment in infrastructure.
- 3.4 Islington Council is currently relying on a number of 'spot' purchased homecare providers. These are individually commissioned contracts, as opposed to a 'block' contractual arrangement where the Council purchases a number of placements together from one provider. The Homecare Provider market is more volatile than other parts of the market both nationally and locally and relying on spot contracts presents a risk in terms of stability.
- 3.5 In addition the Government's continued failure to agree a long-term solution for Adult Social Care (ASC) funding, means identifying long term solutions with Providers is challenging. The announcement in early April 2023 that previously promised funding had been significantly reduced, particularly the funding supporting the workforce, will provide even further challenge.
- 3.6 Despite these concerns there have been no provider failures locally in the last year and no providers have handed back their contracts.

Mitigations

- 3.7 ASC has a range of mitigations in place to address the issues and risks we face in the provider market that are set out here.
- 3.7.1 **Financial** – Financial checks are carried out of providers through the procurement process. A robust uplifts process has been put in place, with lessons learned from this year being used to further develop the process. The Commissioning and Procurement Board have oversight of this process and this provides assurance outside of ASC. We continue to work closely with the boroughs across North Central

London (NCL – Barnet, Camden, Enfield, Haringey and Islington) benchmarking to ensure we are in line with our neighbouring boroughs. NCL has commissioned [Care Analytics](#), who are experts in care markets and the cost of care, to carry out a robust analysis of current care costs across NCL. This helps us develop a shared approach to commissioning care where appropriate. We also share intelligence where a borough has concerns about financial risk in relation to specific providers so that we are able to address it in a timely way. We monitor financial risk through our Integrated Provider Quality Oversight Board. We maintain strong relationships with a range of providers so that should an insolvency event occur we are able to mobilise support at pace and we have experience of managing this process safely. The council has a business interruption reserve that can support this process financially as a last resort.

- 3.7.2 **Rising demand and complexity** – Our daily Integrated Quality Assurance Meeting provides an opportunity to look at complex packages of care with social workers and oversee how these packages are commissioned. ASC Senior Leadership chair these meetings. The use of a tool called CareCubed is being rolled out across the service, this uses an evidence-based approach to giving a clear benchmark for care costs and forms part of our negotiations with care providers to ensure we are paying a fair rate. A care cost negotiator is now in post and is leading on negotiating individual packages of care to ensure value for money for the Council. We are developing a Housing and Accommodation Strategy to support us to develop innovative ways supporting the accommodation market in the future and the new homecare contracts are based on maximising people’s independence to reduce the need for support which should help manage demand.
- 3.7.3 **Workforce** – The Council continues to commit to paying London Living Wage for all new contracts. We harness social value in all our contracts and encourage providers to put forward social value that enhances employment for local people and has strong links with iWork. Our homecare contracts, due to start in April, will ensure new providers are working towards the Ethical Care Charter which supports workers to have good terms and conditions including encouraging providers to pay occupational sick pay (nearly 80% will be doing so), paying for travel time and offering paid training and supervision. Providers have access to safeguarding training, ‘lunch and learn’ sessions and training at provider forums in order to support the workforce to be well trained.
- 3.7.4 **Quality of provision** – We have robust contract management arrangements. Through building strong relationships with providers we feel able to support and challenge where there are quality issues. We regularly audit contracted providers and providers who we spot purchase significant care from, or where we have concerns. We have a robust, multi-disciplinary, providers oversight process, to address any issues. Colleagues from across the health and social care system meet monthly to resolve and monitor providers where there are quality or financial concerns. This reports into ASC Senior Leadership Team and the Islington Safeguarding Adults Board, who have stated that they feel very assured by the robust quality monitoring processes and associated reporting mechanisms. We have Provider Forums and Provider Bulletins where we share good practice and keep providers updated.

- 3.8 We have completed the procurement for our new homecare contracts and are starting the mobilisation from January 2024. This will reduce our reliance on spot purchased providers, giving us more control and enabling us to monitor and support homecare providers more effectively.
- 3.9 Equality Impact Assessments are carried out for each contract so that we can understand the impact on residents if they do not receive these services and these help us develop plans and understand the level of risk for each contract.
- 3.10 Our ASC [market position statement](#) sets out our commissioning intentions for the market so that the market is able to plan with us. A new ASC Housing and Accommodation Strategy will form part of the Strategic Asset Management Plan and sit alongside our market position statement, so that the market understand our intentions and can work with us. This is a whole council approach and has been developed in partnership. These documents set out our plans to manage the market in the longer time, looking to more innovative solutions to address the challenges we face.
- 3.11 ASC are developing a provider failure policy in partnership with Children's and Public Health and will be talking to colleagues across the council to draw on good practice.
- 3.12 The risk over the next 12 months is likely to continue at the current level, given that the financial climate is unlikely to alter, and providers will continue to find this challenging. There is not likely to be a funding settlement for ASC from central government to address this. Senior leadership will continue to work closely with the sector to support it and mitigate the risks as outlined here.

4. Implications

4.1. Financial Implications

- 4.1.1. There are no financial implications arising from this report. The programme of work has been met from within the existing risk management budget.
- 4.1.2. The financial implications of individual risks will be met by local management actions, or they will create a budgetary pressure.

4.2. Legal Implications

- 4.2.1 The [Care Act 2014](#) sets out the law around market development in Adult Social Care. It enshrines in legislation duties and responsibilities for market-related issues for the Department of Health, CQC and for local authorities.
 - 4.2.1.1. Section 5 of the Act sets out duties incumbent upon local authorities to facilitate a diverse, sustainable high-quality market for their whole local population, including those who pay for their own care, and to promote efficient and effective operation of the adult care and support market as a whole.
- 4.2.2. Sections 48 to 56 ensure that no one goes without care if their provider's business fails and their services cease. It covers:

- CQC market oversight
- Local authority duties for ensuring continuity of care in the event of provider failure and service cessation.

4.3. **Environmental implications and contribution to achieving a net zero carbon Islington by 2030**

4.3.1 There are no environmental implications arising from this report. The environmental implications of mitigation measures and any changes to service procured will be considered separately by project and programme teams.

4.4. **Equalities Impact Assessment**

4.4.1. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

4.4.2. An Equalities Impact Assessment is not required in relation to this report, because the recommendation being sought does not have direct impacts on residents.

5. **Conclusion and reasons for recommendations**

5.1. The Committee is asked to note the risk management strategy for this Principal Risk.

Appendices:

- Appendix 1 – Risk on a Page: **Social Care Market Instability**

Final report clearance:

Signed by:

John Everson
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Date: 26 February 2024

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Appendix 1: Risk on a page – Social Care Market Instability (Extract from Principal Report)

Risk Information Risk Title – 9. Social Care Market Instability	Risk Scores	Existing Controls
<p>Risk - Significant provider failure/ withdrawal of providers</p> <p>Cause - Financial strains causing providers to withdraw from the market</p> <p>Consequence - Safeguarding risks to individuals, Financial.</p> <p>Risk Update –</p> <p>Increase cost of energy, LLW and inflation continues to have a significant impact on the cost of care, provider instability and costs to the Council. There is some risk that Providers will ask for uplifts to services that are beyond the financial envelope the Council has been able to account for. Rising demand and complexity further impacts on delivery. Workforce issues remain with providers carrying some vacancies, although Islington Providers appear to be sustaining adequate workforce levels currently this is a significant issue elsewhere, including in neighbouring boroughs. Furthermore, the Council is currently relying on a number of spot purchased homecare providers following provider failure of two block contract providers during the Pandemic. The Homecare Provider market is more volatile than other parts of the market. The government continues to fail to agree a long-term settlement for ASC funding which means identifying long term solutions with Providers is more challenging and the announcement in early April 2023 that funding previously promised has been significantly reduced, particularly the funding supporting the workforce, will provide even further challenge.</p>	<p>Current Score:</p> <p>L:3</p> <p>I:4</p> <p>Target Score:</p> <p>L:2</p> <p>I:3</p> <p>Gap to target:</p> <p>L:1</p> <p>I:1</p>	<ol style="list-style-type: none"> 1. We continue to work with the provider market to ensure as wide a range of providers as possible to reduce the risk of adverse impact if providers withdraw from the market 2. We continue to work across NCL to secure additional care home capacity at times of increasing pressure (winter and surges). 3. We have regular provider forums, a provider bulletin, Care Home forums and Commissioners continue to maintain strong relationships with Providers. 4. We have a robust uplifts process, aligned with NCL where we can and are implementing the use of Care Cubed even further to calculate the cost of care. 5. We have contingency plans in place to manage either provider failure or provider withdrawal from the market. 6. We have now developed our new model of Homecare in partnership with operational colleagues, residents and Providers and will be going out to tender early this financial year. 7. There are a number of workforce initiatives underway across Islington and North Central London to promote social care careers and workforce development. 8. We continue to pay for London Living Wage 9. Regular contract monitoring that now includes monitoring of spot contracts where we have high volumes of residents drawing down care and support from them or where there are risks and helps alert us of risks early.

Action	Expected impact	Resources required	Owner	Due Date	Status
Monitoring of the local and national provider market	Reduce Likelihood	Staff	J. Everson	Ongoing	In progress
Collaboration across North Central London with local authority and NHS colleagues to support the social care market and workforce.	Reduce Impact	Staff	J. Everson	Ongoing	In progress
Completing the Homecare procurement	Reduce Impact	Staff	J. Everson		In progress
Further implementation of Care Cubed	Reduce Impact	Staff	J. Everson	Ongoing	In progress
Robust uplifts process	Reduce Impact	Staff	J. Everson		In progress
Recruit to specialist negotiator role	Reduce Impact	Staff	J. Everson		In progress