Leicester City Council
Scrutiny Review

Understanding the increasing cost of care packages within Adult Social Care budgetary pressures.

A Review Report of the Adult Social Care Scrutiny Commission

Date: 8th December 2022

Leicester
City Council

Task Group Members of Adult Social Care Scrutiny Commission

Councillor Melissa March (Chair of Task Group)
Councillors Rashmikant Joshi
Councillor Patrick Kitterick
Councillor Manjit Kaur Saini

CHAIR'S FOREWORD

Leicester should be a great city to live in throughout our lives, including if or when we need care and support to live our daily lives. However, the increase in numbers of people needing care, and the complexity of care people require are compounded by the cost of care going up annually, and dramatically too.

Adult Social Care is the largest single area of spend for local authorities, including Leicester City Council. Costs for packages of care are rising exponentially. Nearly £150million was spent in 2020/21 and the budget has just increased by a further £19million in 2022/23. In 2023/24, the picture looks even more scarier.

To pay for the spiralling costs of care, we often have to look to make cuts elsewhere within council services on top of raising council tax for people across the city. The cost of care is increasing year on year, but we also spend time and resources on compliance, monitoring and managing all the external contracts too.

The local authority is in a real bind. We are legally obliged to let 'market' forces into the provision of care, but we also have a legal (and moral) responsibility to put enough protections in for individuals and the system at large so that it does not fail them.

On top of this, we all also know that care often feels simply not good enough. People value support from the same people who they know and trust. People value receiving care at times that work for them around their other routines. People value carers taking time to engage with them as they look after them. Carers do not have enough time, and we do not have enough carers.

We know that those working within our care sector are woefully underpaid, undervalued and often disrespected. A previous scrutiny review that I chaired before the pandemic highlighted that in the next few years, we will need to recruit 1.5 times the existing workforce in order to sustain the current system of care. We face a perfect storm of more people needing more care, people leaving the workforce and poor rates of recruitment and retention.

Due to the ongoing Covid pandemic, the evidence gathered for this report took place with online meetings and email communication with care providers during

2021/22. We would like to take this opportunity to praise the whole social care and NHS workforce, as well as informal carers, across Leicester City for their dedication and commitment through these difficult times.

Councillor Melissa March (Task Group Chair), and

Vice Chair of Adult Social Care Scrutiny Commission.

REPORT

1. Introduction

1.1 In January 2021, members of the Adult Social Care Scrutiny Commission raised their concerns over the increase in care package costs of £12.5 million in a single year. Members suggested that an in-depth review be carried out to investigate this further. In June 2021, members set up task group to conduct a review into 'Cost of Care and impacts on budgets' The task group explored what drives the increasing cost of care services; the impacts on budget pressures, and ways of managing the impact on service users.

1.2 Leicester City Council Adult Social Care division continues to face significant demand led pressures in 2022 and beyond, including:

a) The growth in need of people already using services, resulting in additional support being added to their existing package of care.

b) The increase in the number of people requiring care, which is a consequence of demographic changes, as the population ages and as the number of people of working age who have care needs grows. There may also be ongoing needs resulting from Covid infections, such as from 'long Covid'

c) The unit cost of meeting need, which is rising by more than inflation, in large part, due to the impact of continuing increases in the National Living Wage (NLW) which drives care costs. The NLW will increase by 2.2% in 2021/22 (less than previously anticipated); the Government intends it to reach two-thirds of median wages by 2025, which implies higher increases in future years.

1.3 The combination of the above pressures means the aggregate cost of social care packages is expected to increase by 12% in 2021/22. It is proposed to increase the budget for Adult Social Care by £10.2m in 2021/22 rising to £30.2m by 2022/23. Government support will meet some, but not all of these costs.

1.4 At Leicester City Council the Residential Care costs and Domiciliary Care costs make up the majority of costs in the Adult Social Care budget, which is driven by:

- Actual cost (unit cost)
- Demand (number of people care provided to)
- Complexity (extent of peoples' needs) – There is an urgent need to address the implications of a growing ageing population who will have increasing and ever more complex needs.

1.5 The Strategic Director for Social Care & Education at Leicester City Council stated:

'Care packages for Adult Social Care represent the single largest element of the Council's General Fund expenditure. These are demand-led services, where eligibility is determined through national legislation, and where services are almost universally delivered by the independent sector, relying on a very large workforce, many of whom are paid at the National Living Wage or only slightly above. Although significant funding is secured through charging people for the services they use, and from transfers from the NHS, and the Council is permitted to increase Council Tax through an Adult Social Care precept, there is a clear imbalance between demand and funding. This not only puts pressure on the funding available for other Council services, but also creates a tension with the longstanding aspiration to improve the terms and conditions of the substantial Adult Social Care workforce'.

1.6 In In December 2021 the government published the White Paper on Adult Social Care**, the paper referenced good practice in Leicester and its people-centred approach to delivering services**[1] However the White Paper did not contain much that was new, and no core funding had been allocated. The paper did suggest an additional investment of £1billion over a period of 3 years, of which £500million was allocated for training and the other for technological improvements.
https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper/people-at-the-heart-of-care-adult-social-care-reform

1.7 The Deputy City Mayor for Social Care and Anti-Poverty at Leicester City Council stated:

'That the Govt White Paper had left local authorities frustrated across the country. Although nice things had been said about Leicester within the paper, no money had been made available to meet the care needs of the people now or to prepare for the demand in the coming years'.

2 RECOMMENDATIONS

2.1 Although members noted that the £1.9 million reduction was not as a result for taking away services but ensuring that we are not providing people with care services that they did not require, they were concerned that people could lose services they valued as a result. **Recommendation: Task group members also raised concerns that the £1.9 million savings quoted by officers would only be possible if the council adequately resourced carrying out reviews – i.e.:**

[1] **Bespoke support in action: Think Local Act Personal and Leicester City Council**

Think Local Act Personal (TLAP) provided bespoke support to Leicester City Council to support them in changing the way services are designed.

spending money on staff time for carrying out these reviews was in place immediately, otherwise the council inevitably will be in the same situation next year (the task group were aware that over 40% were overdue and had not been reviewed in the last 12 months). If the local authority does not prioritise getting on top of the reviewing process, the situation will only worsen and any potential for savings will be lost.

2.2 Members noted that the additional cost of care packages in 2023/24 would further increase by an alarming £42 million. The task group review considered the cost of domiciliary care and it was asserted that this appeared to show that these were paying for private profits. However, the task group felt unable to see a sufficient amount of finances or accounts from any of these multiple care providers, in spite of numerous requests. The task group was assured that officers did check the financial viability of companies as part of the due diligence process but (because of reasons of confidentiality) was unable to find adequate reassurance that care companies were not making undue levels of profits for the care they delivered. **Recommendation: to better understand care providers financial structures and management for transparency, scrutiny and assurance.**

2.3 As Leicester City Council has no provision in house (except for £1m of reablement service), we have to rely too heavily on 'the market', which exists to make profit. It was noted that it was perfectly legal for local authorities to provide services in-house, with Derbyshire having a substantial service in house. Members were interested in which parts of the service area could be delivered in house and have requested a report on this at scrutiny meetings. **Recommendation: that a holistic review of what services area delivered in house by other local authorities is undertaken, with a view to reconsidering what Leicester City Council can do to bring more of this provision back into council ownership. This would allow us more control of pricing, quality, continuity and the terms/conditions that carers are offered at work.**

2.4 The government recently announced (September 2021) that there will be a new lifetime cap on care costs of £86k and an increase to the upper capital limit (from £23,250 to £100k). This will mean that Local Authorities will have to fund a greater share of care costs currently paid for by individuals. In addition, the council and supply chain (including providers) will have to pay additional employer National Insurance Contributions of 1.25% from April 2022. Whilst a reduction in the financial burden on individuals, the government has not yet announced any additional funding to tackle existing and growing funding gaps in Adult Social Care. **RECOMMENDATION: The council to write to the government to highlight the rising and unsustainable costs of Adult Social Care. Whilst recognising the government has provided pandemic related support, the support is nowhere near sufficient to meet the ongoing costs and underlying pressures faced by Adult Social Care. The**

Council needs immediate on-going funding to meet these challenges and to continue to support the most vulnerable in society.

2.5 On top of this, we all also know that care often feels simply not good enough. People value support from the same people who they know and trust. People value receiving care at times that work for them around their other routines. People value carers taking time to engage with them as they look after them. Carers do not have enough time, and we do not have enough carers. We know that those working within our care sector are woefully underpaid, undervalued and often disrespected. A previous scrutiny review that I chaired before the pandemic highlighted that in the next few years, we will need to recruit 1.5 times the existing workforce in order to sustain the current system of care. We face a perfect storm of more people needing more care, people leaving the workforce and poor rates of recruitment and retention**. RECOMMENDATION: Heed is paid to the previous scrutiny review undertaken in this area 'Looking to the Future: the workforce in adult social care', and the recommendations therein.**

2.6 The commission saw evidence that some providers were pricing low to start with for certain package of care that would then increase significantly year on year**. RECOMMENDATION: That officers review this thoroughly across the board to ensure that they are not beholden to care providers inflating costs unnecessarily.**

2.7 Technological innovation has the potential both to improve care in domiciliary settings (for example tech could reduce double-handed carers to one in some cases) and in residential care settings. Members were impressed with a recent presentation at Adult Social Care Scrutiny Commission meeting, which showcased carer aids and gadgets, equipment and new technology. **RECOMMENDATION: Members agreed that the council should continue the good work and to further explore the use of technology enabled care, as this may help to contain the costs of care.**

2.8 <u>Recommendations 2.9 and 2.10 were agreed by Adult Social Care Scrutiny commission in March 2022, in relation to item on Leicester City Council Annual Budget and costs of care</u>:

2.9 The increasing costs of care and care packages is concerning (to point out that Leicester is different to many other cities, as we have a higher demand for care services, and an aging population with needs increasing, combined with poverty, deprivation, high house prices, and a shortage of care workers – especially since the pandemic).

2.10 The additional cost of care packages in 2021/24 to increase to £42 million is worrying (to point out that members have requested that consideration be given to options to bringing some services in-house).

2.11 **Looking forward (following this review)**

2.12 The Government new charging reforms (2022) are being introduced against a challenging backdrop. Local government is already grappling with a significant change agenda, as well as the various and ongoing demands of recovering from the Covid-19 pandemic. This is in addition to existing challenges with the current adult social care system including preparing for assurance; provider sustainability; workforce recruitment and retention; and the evolving relationship with the NHS, including understanding the implications of the white paper on integration, and the implementation of Integrated Care Systems.

3 Adult Social Care funding – National context

3.1 The briefing on 'Adult social care funding (England) - UK Parliament' https://researchbriefings.files.parliament.uk/documents/CBP-7903/CBP-7903.pdf provides information on the wider context by examining the main funding pressures affecting publicity funded adult social care services in England. It also sets out the additional funding committed to adult social care since 2016/17 and provides information on funding plans from 2022/23. An extract from this report highlights the effects of funding pressures: It is suggested by various stakeholders that the funding pressures in adult social care contribute to several issues in the sector, including:

• High levels of unmet care needs: Age UK has estimated that 1.5 million older people in England, 1 in 7 of the population aged 65 and over, may not be getting the social care they need.

• "Catastrophic" care costs: the Government estimates that around one in seven adults aged 65 face lifetime care costs of over £100,000.

• High levels of unpaid care: the Government has cited research suggesting caring is associated with poorer physical and mental health and can negatively affect a person's employment. Carers may also not be getting the support they need.

• Workforce pressures: in 2020/21 there was a turnover rate of 34% and around 105,000 vacancies were advertised on an average day, according to Skills for Care. Pay is also uncompetitive, which can affect morale and make it harder to retain staff.

• Impact on health services: a lack of suitable social care can affect health services, for example by delaying discharging people from hospital.

• Financial sustainability of care providers: in July 2021, ADASS said 77% of local authorities were concerned about the financial sustainability of some of their care home providers.

3.2 Adult social care funding has been under pressure for several years. The factors which have contributed to this include:

a. **Demographic pressures**: the number of older people (the group most likely to need social care) is rising faster than the population as a whole. There is also increased demand for care from working age adults.
b. **Pressures on local government finances**: the National Audit Office has estimated that local government spending power (government funding, council tax and business rates) reduced by 29% in real terms between 2010/11 and 2021/22.
c. **Increases in the National Living Wage**: The Association of Directors of Adult Social Services (ADASS) estimated the increase in the national Living Wage in April 2021 would cost councils around £494 million.
d. **The Covid-19 pandemic**: there are concerns the pandemic could compound long-term funding pressures.

3.3 In September 2021 the government announced that there will be a new lifetime cap on care costs of £86k and an increase to the upper capital limit (from £23,250 to £100k). This will mean that Local Authorities will have to fund a greater share of care costs currently paid for by individuals. In addition, the council and supply chain (including providers) will have to pay additional employer National Insurance Contributions of 1.25% from April 2022. Whilst a reduction in the financial burden on individuals, the government has not yet announced any additional funding to tackle existing and growing funding gaps in Adult Social Care. Government policy report *'Build Back Better: Our plan for health and social care' https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care/build-back-better-our-plan-for-health-and-social-care*.

3.4 Members commented that whilst recognising the government has provided pandemic related support, the support is nowhere near sufficient to meet the ongoing costs and underlying pressures faced by Adult Social Care. The council needs immediate on-going funding to meet these challenges and to continue to support the most vulnerable in society. The council to write to the government to highlight the rising and unsustainable costs of Adult Social Care. (Recommendation).

4 Leicester City Council Adult Social Care and managing the costs of care packages.

4.1 Task group members examined detailed evidence provided by adult social care lead officers to better understand the reasons for the increasing cost of care packages with Adult Social Care. Evidence was provided in the form of presentation slides; data; charts; reports and information. These are listed below.

4.2 List of supporting evidence provided by Adult Social Care lead officers.

Presentation slides showing 'Adult Social Care Costs Overview'
Adult Social Care Revenue Budget 2021/22 (Table)
Numbers of people in care and package costs by type (Table)
Gross package costs and income (Chart)
3 Factors affecting care package costs
Increasing need
Gross package costs – illustration of change in need (Table)
Learning Disabilities - 2019/20 Scatter diagram of existing package costs at 1st April 2019, and changers during the year by type, weekly cost and age.
Mental Health - 2019/20 Scatter diagram of existing package
Dementia - 2019/20 Scatter diagram of existing package costs at 1st April 2019, and changers during the year by type, weekly cost and age (Learning Disabilities)
Distribution of 2019/20 package cost increases
Level of need
Controlling costs
2022/23 and beyond issues

Report showing 'Update on Domiciliary Support - Task Group Questions and Answers'

Data showing 'Increase in demand and costs in relation to the Domiciliary Care Framework'

Table showing 'Active lcc contracted Domiciliary Care providers and the number of staff employed by that agency'

Excel table showing Domiciliary Care Cost Analysis

Excel table showing Leicester City Domiciliary Support Market Survey 1-32

Data slides showing the increase in costs of Domiciliary Care Packages between 2017 / 2018 and 2018 / 2019 and the continued increases across all contract year:
Total number of Leicester City Council people supported by quarter / financial year (Table 1 and Chart 1)
Snapshot of packages commissioned (Table 2 and Chart 2)
Snapshot of average hours commissioned per person (Table 3 and Chart 3)
Snapshot 2021/2022 (Q2) of weekly cost breakdown for commissioned packages of care (Table 4 and Chart 4)

Presentation slides showing 'Implementing the Care Act 2014'
Purpose of the Act
Key Milestones
Care Act 2014 – General Responsibilities

Care Act 2014 – Assessing need
Care Act 2014 – Other
Care Act 2014 – Funding and Charging
Increased Demand
Costs and Funding of the Care Act 2014

Presentation slides showing 'Managing the cost of care – ensuring packages match need'
Care Act 2014 requires the council to ensure eligible needs are met
Decision making and oversight
How cost increases occur
The Audit framework
What we check (as well as quality of practice), and what we find
Some case studies

4.3 Task group members examined how the council manages the costs of care packages in the city. A report at **Appendix C** provides the task group 'Questions and Answers' evidence relating to Domiciliary Support.

4.4 Task group question: Information on how ratings are used when assessing providers as part of procurement processes?
Officer response: During the procurement process, tendering organisations are requested to provide details of their Care Quality Commission (CQC) registration when completing their Invitation to Tender (ITT). However the authority does not preclude organisations that do not have a current CQC registration (e.g. a new domiciliary care agency) from applying for a place on the Domiciliary Care Framework. Further checks including references from people supported, examination of an organisations financial standing, as well as a number of detailed method statements assessing quality are used.

4.5 Task group question: Local Authority spend on Contract Management?
Officer response: The costs of managing contracts with the external market are across both the contractual management staffing costs, and the staffing costs of brokerage in commissioning packages of care. In total these costs equated to £1.3m in 2020/21. To put this in context the value of the contracts for domiciliary and residential care in 2020/21 totalled circa (gross) £19.9m per annum, and £60.5m per annum (respectively) – as shown in the table below. The specific contract management costs relating to these two contract areas therefore represent 1.3 % of the spend against residential care, and 2.6% of the spend against Domiciliary Care. It is also to be noted that the teams / staff supporting contract management for domiciliary and residential care also support a range of other contracts including supported living and extra care, community day opportunities, advocacy support, and preventative services.

4.6 **Numbers of People in Care and Package Cost by Type**

Context - Numbers of people in care and package cost by type

	Number of people with care		Package cost for 2020/21
	As at 31 March 2021		£m
65 +	2,908	57%	64.2
Working age	2,232	43%	69.5
Total	5,140	100%	133.7

	Number of people with care	Package cost for 2020/21	
	As at 31 March 2021	£m	
Residential	1,309	60.5	45%
Supported living	516	23.4	18%
Home care	2,870	43.6	33%
Community opportunities	426	5.8	4%
Shared lives	19	0.4	0%
	5,140	133.7	100%

4.7 The above table shows the council pays for only 5,140 adults to actually receive care in the city. Of these, 43% are under 65 (2,232ppl) and 57% (or 2,908 ppl) are over 65. We also spend the majority of our budget on fewer people in this 'of working age' category (ie aged 18-65) with £69.5m last year, compared to £64.2million on over 65s. Future forecasts of growth for this cohort are particularly concerning. It is a common misconception – many people are surprised to learn this, having previously considered that our ageing population as a nation was to blame for rising costs.

4.8 **In Leicester, as per the national picture, the 3 Factors affecting care package costs are shown in this slide below**

3 Factors affecting care package costs

All people receiving care

Fee Inflation – NLW increase of 2.2% plus CPI 3% on non -pay, plus any other specific increases resulting in overall fee inflation of 2.7%.

+

New to care and those leaving care

Demography – 2% for 65+, 5% for working age, net 3.3%. Growth has previously been held down for 65+ due to prevention efforts, but now forecast in line with 65+ population growth.
Financial impact reduced by differential in package costs for those entering and exiting care. Net % full year impact 0.3%

+

Existing people in care

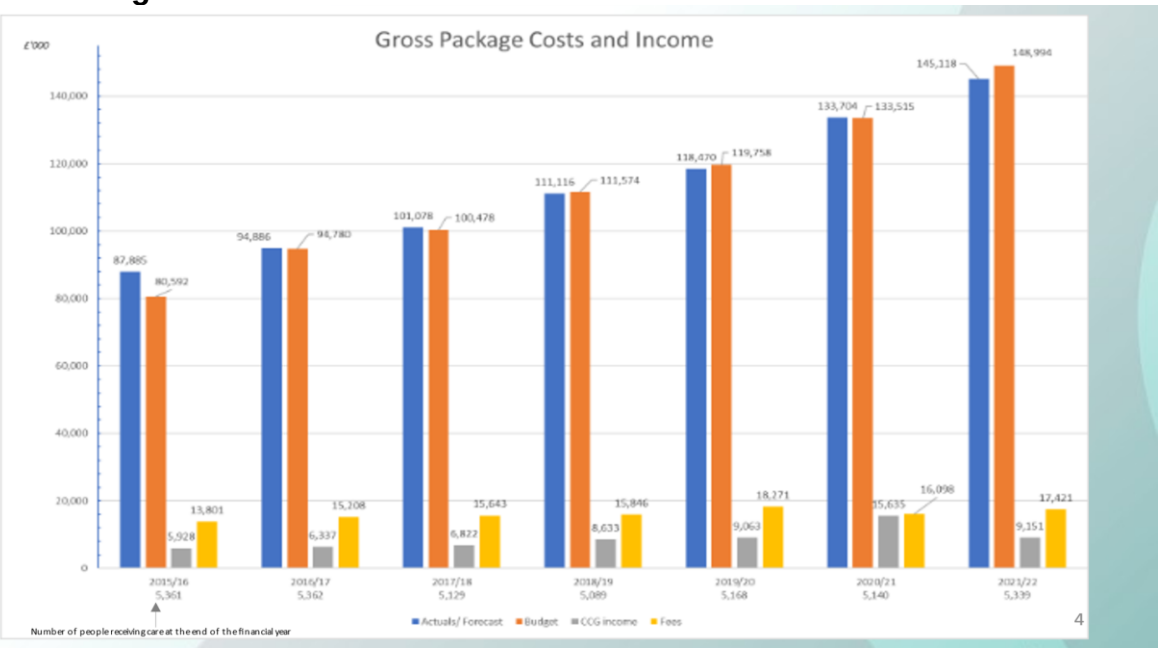
Increasing need – 38% of existing people see an average increase care package of 24%. This translates to an increase of 9% full year effect (usually split 6% in the year of change and a further 3% in the following year)

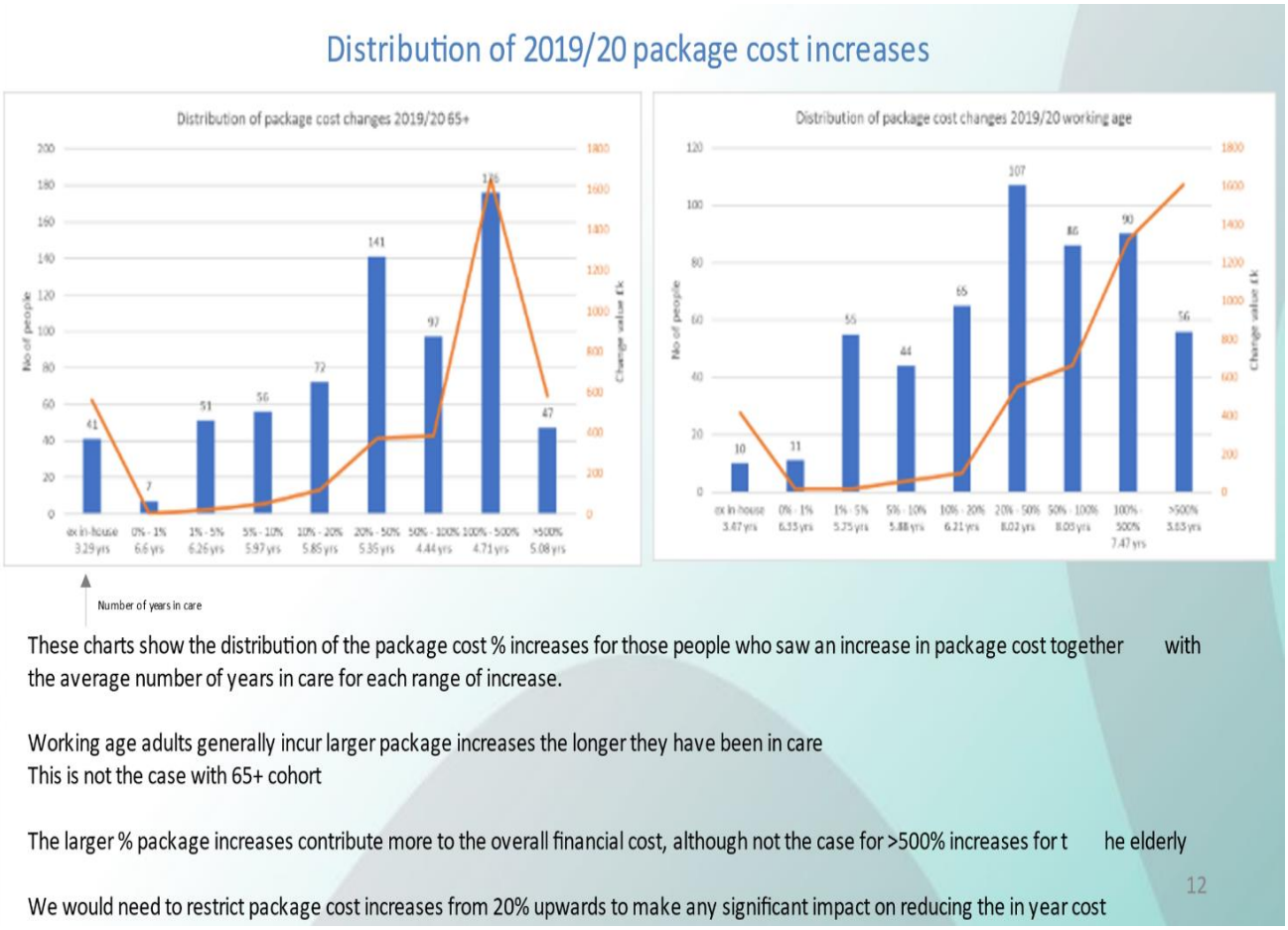
Total 2021/22 budgeted package cost increase = 12% compared to 2020/21

5

4.9 Members asked about the change in cost of care packages in the year and looked at smaller patterns of why these changes happen to the cost of care. Members were interested in whether the care that people were receiving had led to deterioration in health. Evidence in charts at **Appendix B**, shows increases in need from deteriorating health, in that 38% of reviews result in net additional increases to packages of 24%. Members were informed that those people that see a package change follow a very similar profile in terms of package cost and age to that of the overall cohort for that particular type (learning disability, mental health, physical disabilities, dementia).

4.10 **Gross Package Costs and Income**





4.11 Distribution of 2019/20 cost package increases

4.12 The above chart shows the distribution of the package cost % increases for those people who saw an increase in package cost together with the average number of years in care for each range of increase. Working age adults generally incur larger package increases the longer they have been in care. This is not the case with 65+ cohort. The larger % package increases contribute more to the overall financial cost, although not the case for >500% increases for the elderly. The council would need to restrict package cost increases from 20% upwards to make any significant impact on reducing the in-year cost.

4.13 The commission requested information on the increase in costs of Domiciliary Care Packages between 2017/2018 and 2018/2019. Evidence of this is at **Appendix 1** (part of Appendix C) which includes information on increases across all contract years. Table below shows the total number of Leicester City Council people supported by Quarter / financial year.

Table 1 - Total Number of Leicester City Council people supported by Quarter / financial year

	Q1	Q2	Q3	Q4
2017/2018		1514	1502*1	1536
2018/2019	1532	1557	1516	1516
2019/2020	1533	1554	1531	1554
2020/2021	1591	1628	1644	1683
2021/2022	1751	1811*2		

* Data represents a snapshot of active packages of care funded by Leicester City Council, excluding NHS funded people, on the last day of each quarter. E.g. Q1 2021/2022 = 30/06/2021

*1 – This represents the snapshot of active packages on the first day of the framework – 07/10/2017

*2 – This represents the snapshot of active packages on the 31st August 2021

4.14 Members were provided with a presentation about 'Managing the cost of care – ensuring packages meet need', at **Appendix D**. Members were informed that increases occur due to:

Either needs have increased, or other available support has reduced:

- Planned review – needs or support has changed
- Unplanned review – requested to address a sudden change in need / support

Deep dives have shown factors to be:

- Substantial change in health condition (often 'catastrophic')
- Reduced mobility / double handed care
- Loss of main carer
- Overnight needs
- Dementia / impact on carers

4.15 Members were provided with examples of case studies to show increased need:

1. Mr P: dementia, mobility, carer strain and double handed care (joint funded)
2. Mr C: Wife's head injury, hospitalisation, reduced ability to offer care
3. Ms S: complex health / visual impairment and MH issues + safeguarding and allegations risks
4. Mr S: dementia + hard to manage behaviours, carer distress, risk of self harm / neglect

4.16 Task group evidence included workforce numbers within contracted Domiciliary Care providers.

4.17 Members captured evidence in responses to questions via a mini survey questionnaire sent to domiciliary care providers in the city. The key responses are highlighted below:

a) Question: Do you believe there has been a change in the complexity of people who you support?

   (i) Over the past 5 years = *18 out of 32 responded increased / significantly increased*
   (ii) Over the past year = *22 out of 32 responded increased / significantly increased*

b) Question: What do you think the financial barriers are to running a successful domiciliary care agency in Leicester?

   Responses:
   - *Hard to recruit to the care sector.*
   - *Retention (high turnover of staff) and training costs*
   - *Poor rates of hourly pay in comparison to other sectors, for example Amazon, Supermarkets and factories.*
   - *Increasing cost of petrol and travel costs, and PPE.*
   - *Council funding is not sustainable with the increase of minimum wage.*
   - *Business rate parking charges in some parts of the city traffic.*

c) Question: Do you have any comments you would like to share with the scrutiny task group?

   Responses:
   - *The council should learn from other local authorities like Leicestershire County Council.*
   - *There are hundreds of CQC registered Dom Care providers in the city, so the competition for work and care staff is enormous*
   - *The expectations from the local authority for contracted framework providers has increased along with the complexity of what is being asked of them.*
   - *The overall impact on people using our service is that they have been able to safely receive domiciliary care services with minimal risk of catching covid. Service users and their families also express a high level of satisfaction with our service.*
   - *We receive many letters of thanks for the carers.*
   - *Have a day or two of working as a carer, as they do a hard job.*
   - *Thank you for involving us in this survey.*

4.18 Task group members thanked lead officers in Adult Social Care for their support in carrying out this survey to help inform the review.

5 Council's responsibility for care and Implementing the Care Act 2014

5.1 Officers provided a presentation on 'Implementing the Care Act 2014' which came into force in April 2015/16, at **Appendix E**.

Key impacts of the Care Act re: Cost of Care and Market-shaping:

- The Care Act 2014 places duties on local authorities to facilitate and shape the whole publicly funded and self-funded care and support market.
- The Care Act strengthens the general duties of councils when setting fees. Councils must ensure sustainability of the market alongside ensuring that sufficient services are available for meeting the needs for care and support of adults in its area. In addition, the Care Act's accompanying guidance also states that local authorities should have evidence that the fee levels they pay for care and support services enable the delivery of agreed care packages and support a sustainable market.

5.2 Members felt that the local authority is in a real bind. We are obliged to let 'market' forces into the provision of care, but we also have a legal and moral responsibility to put enough protections in for individuals and the system at large so that it does not fail them.

5.3 Adult Social Care is the largest single area of spend for local authorities, including Leicester City Council. Costs for packages of care are spiraling. We spent nearly £150million in 2020/21 and the budget just increased by a further £19million in 2022/23. With a further £43m expected in 2023/24.

5.4 We cannot raise sufficient income from increasing the 'social care precept' on council tax annually to pay for this, in spite of putting it up by the maximum each year. In 2022/23, for example, hikes in council tax will bring in less that 10% of the additional spending required in the city. These figures are also based on a very small increase in the numbers of people receiving care and how much care they receive. Other authorities in wealthier areas, with higher rates of home ownership and/or with healthier populations may be able to meet a higher percentage of the costs of providing care through council tax, but not in Leicester.

5.5 National government made much of the changes to funding in adult social care, which are to be paid for through increases in National Insurance Contributions. Of the funds expected to be raised, only very little will actually filter through to social care with the remainder being spend on backlogs in the NHS caused by the pandemic. This does not even begin to plug the gap. In addition, the changes brought in to how much people contribute towards their own care costs negatively affects areas like Leicester compared to elsewhere.

5.6 On top of the huge sums involved in paying for care, Leicester City Council also spends money and energy each year monitoring the contracts with

care providers, brokering packages of care and stepping in when things go wrong with emergency carers, safeguarding measures and lots more. The NHS locally contributes further to care costs for those in receipt of continuing care. The numbers involved are alarming, vast and increasing.

5.7 Members suggested that some providers might come in low then push the price up and might seek to increase the size of packages (and hence bring more work in) by coaching clients to extend care packages as this was a practice in other sectors which could also benefit this sector. Officers responded that the rate in homecare packages were at a fixed rate and social workers decide the level of care for the individual drawing on care services.

5.8 The task group were informed that the rate in homecare packages were at a fixed rate and social workers decide the level of care for the individual drawing on care services. It was suggested that there could be scope for providers to seek to increase the size of packages (and hence bring more work in) by coaching clients to extend care packages as this was a practice in other sectors which could also benefit this sector.

5.9 The commission saw evidence that some providers were pricing low to start with for certain packages of care, that would then increase significantly year on year, in spite of the careful cost controls that the local authority put in place with providers. Clearly some of this may be justified by someone's needs increasing, and that many of the people receiving care paid for by the local authority were likely to have worsening health and thus growing social care requirements. However, the commission still felt that there was more of a pattern in this than was accepted by officers. Members recommended that officers review this thoroughly across the board to ensure that they are not beholden to care providers inflating costs unnecessarily. (Recommendation).

5.10 Social work is a valuable and increasingly important profession focused on improving wellbeing and enhancing the quality of people's daily lives. It should not be about negotiating prices with businesses for packages of care. The commission felt it was good that there was a brokerage team to ensure that conversations around the specific pricing for packages of care was reassuring. However, it also brings us back to a central dichotomy of the situation: what do we do if the overstretched 'market' does not want to take up a particular package of care? The commission unanimously felt very strongly that if the local authority was being expected to step in and step up in unplanned and sporadic incidences such as these, it should consider having more a continuous offer of in-house care provision. (Recommendation).

5.11 As Leicester City Council has no provision in house (except for £1m of reablement service), we have to rely too heavily on 'the market', which exists to make profit. It was noted that it was perfectly legal for local authorities to provide services in-house, with Derbyshire having a substantial service in-house.

5.12 Members were interested in which parts of the service area could be delivered in house and have requested a report on this at scrutiny meetings. Members requested that a holistic review of what service areas delivered in-house by other local authorities, is undertaken, with a view to reconsidering what Leicester City Council can do to bring more of this provision back into council ownership. This would allow us more control of pricing, quality, continuity and the terms/conditions that carers are offered at work**.** (Recommendation).

5.13 Members asked about the level of disparity between local authority and private market rates for care provision?

5.14 Officers responded that whilst the local authority does not routinely collect information on private market rates, a sample of private rates were sought from Domiciliary Care Providers – rates range from between £19.50 and £21.50 per hour. Whereas currently, under the Domiciliary Care framework provider hourly rates vary between £16.14 and £17.22 per hour (based on the rates each provider bid at contract award and which have been uplifted in subsequent years to reflect the impact of wage inflation and associated employer wage on costs). For residential care, information from one of the larger national providers of residential care suggests private rates are approximately 40% above council banded rates. Details on the current banded rates are at **Appendix C**.

5.15 **CASE STUDIES**

a) CASE STUDY: Too small:

In spite of being eligible for fully funded care, a lady in her 90s was using benefits and family support to pay for a private carer to visit daily. This meant that she had the consistency of input from someone she trusted, which was what she valued most. However, during an early wave of covid and localised Leicester lockdown, whilst awaiting a PCR result, the carer was forced to isolate at very short notice. The PCR then came back positive and so the carer (who provided 5 calls a week) needed to isolate for a further 10 days, as per the rules at that time. Leicester City Council could not find anyone to pick up the care package in spite of all the teams and mechanisms in place for this. Care was provided by our own in-house emergency carers. The 'market' was uninterested in delivering this small, short term package of care so didn't. The council stepped in because it cannot legally or morally allow that as an outcome. This case study is included because it shows the fundamental difference in approach from the parties involved. It also shows that the system is not infallible and highlights many of the challenges faced.

b) CASE STUDY: Too big:

The issues that the city council is having with building a functional consortium to deliver the Extra Care housing requirements in the city highlight how arrangements for packages of care can also feel too big for care providers to deliver. The first attempt at this process got as far as

breaking ground before partners withdrew from the agreement due to its unavailability. The second attempt has involved multiple pre-tendering discussions with care providers about how to make the deal more profitable for them in the longer term. A further irony in this obligatory market of limitations is that the local authority is not legally permitted to build the extra care units and keep them in-house (as we are currently doing with children's homes, for example).

5.16 The task group was particularly interested in understanding the profits of care providers. For reasons of data protection, we were unable to see the due diligence information officers hold in-house. Within publicly available companies houses annual accounts, we were unable to see very little. Of the three companies contracting with the council for the highest value contracts, one appears to be part of a national chain that has been buying out other care providing companies across the country since 1999/2000 and the other two are currently exempt from sharing their accounts.

5.17 These are the top three care companies contracted with Leicester City Council:

- Westminster Home Care
- Aspire
- Help at Home

5.18 The company where we can see the accounts (publicly available on companies house) states: "*Overall the Company's turnover for the sixteen months increased by 30.9% from £38.5million to £50.4milion. On a 'pro forma twelve-month' basis, turnover decreased by 1.8% to £37.8million. Reported gross margin declined from 25.9% to 20.5% whilst the operating margin increased from 4.7% to 6.4%. Net profit after tax increased from £1,497,917 to £2,414,901."* (This is during the peak of the pandemic and covers the 16 months to the end of April 2021).

5.19 Members noted that the additional cost of care packages in 2023/24 would further increase by an alarming £42 million. The task group review considered the cost of domiciliary care and it was asserted that this appeared to show that these were paying for private profits. However, the task group felt unable to see a sufficient amount of finances or accounts from any of these multiple care providers, in spite of numerous requests. The task group was assured that officers did check the financial viability of companies as part of the due diligence process but (because of reasons of confidentiality) was unable to find adequate reassurance that care companies were not making undue levels of profits for the care they delivered. Members felt that the council needs to have a better understanding of care providers financial structures and management for transparency, scrutiny and assurance. (Recommendation).

5.20 Moreover, during the review, members were aware of an investigation by ***'Panorama' documentary which covered the national 'Care Crisis and the Cost of Care: Follow the Money'****, this documentary highlighted that tens of thousands of elderly people live in care homes owned by*

international investors. Panorama asks how much money is being taken out of the system. The documentary can be viewed on this link: https://www.bbc.co.uk/iplayer/episode/m0012cbj/panorama-crisis-in-care-follow-the-money

5.21 The BBC documentary investigation highlighted concerns relating some care provider companies and how they are operated. According to a report by the Centre for International Corporate Tax Accountability and Research, the companies in the 'HC-One' structure have loaned money to each other via complex accounting, with very high interest rates. These high-interest payments reduced taxable profits in the UK and let the company shift money to the Cayman Islands as interest income – where it is tax-free. 'HC-One' stresses it pays full tax in the UK.

5.22 It is acknowledged that national government cuts and austerity have impacted on services and created problems, but this does not render us entirely powerless to make improvements here in Leicester for those being cared for, and for those who care.

5.23 It was noted that the £1.9 million reduction was not as a result for taking away services but ensuring that we are not providing people with services that they did not require.

5.24 Members of the commission requested officers to provide a figure on how much money had been saved following package reviews in the last 12 months to understand whether the figures provided were realistic. The issue continues to be discussed in much detail at Adult Social Care Scrutiny Commission meetings.

5.25 The Strategic Director for Social Care and Education noted that the department had not been looking for savings from package reviews, but packages had been increasing at a faster rate than most other parts of the country which suggested that this would be an area where there would be scope for savings

5.26 Members of the Commission noted that for many years it had been suggested that the review of care packages would allow for savings to be made and this generally had not been the case, as the trend showed that reviewing care packages generally meant that the cost went in an upward direction.

5.27 The Deputy City Mayor for Social Care and Anti-Poverty informed members that the delay in reviews was not intentional and was a result of staff resources being deployed to other urgent matters within care and, subsequently, the inability to recruit.

5.28 Task group members were concerned about the £1.9 million savings quoted by officers, pointing out that this would only be possible if the resources – i.e: spending money on staff time – for carrying out these reviews was in place immediately, otherwise we would inevitably find

ourselves in the same situation next year. The task group recommends resourcing the reviews fully and swiftly to ensure the savings are reached in the current financial year. (Recommendation).

5.29 There is a clear moral imperative around preventing 'market forces' just driving the care sector into the ground. We must develop positive cultures and a strong morale.

6 How Technology can help with the Future of Social Care and Costs.

6.1 The task group were interested in technology innovation in terms of making a contribution to areas of social care, for example: the monitoring of people, the management of medication and the management of matters such as incontinence. Technological innovation has the potential both to improve care in domiciliary settings (tech could reduce double-handed carers to one carer in some cases) and in residential care settings.

6.2 Members were informed of areas in which technology will have or is already having a practical effect globally: the integration of information and services; remote monitoring; assistive technologies (often targeting patient mobility); medication management; information provision and training; cognitive training and therapy and mental health. Countries such as Japan and Norway are pioneering the use of such technologies to enhance care and these technologies are so far proving beneficial to both care workers and care recipients, as well as leading to efficiency gains and potential cost reductions over time.

6.3 Members were impressed with a recent presentation of Technology Aids which showcased carers technology aids and equipment. Members agreed that the council should continue the good work and further explore the use of technology enabled care, as this may help to contain the costs of care. (Recommendation).

7 News and Media articles – supporting evidence

7.1 During the review, members were informed of various news and media articles relating to the cost of care topic and related issues, such as:

a. LocalGov.co.uk - Your authority on UK local government - Half of councils forced to ration care, survey reveals (14/01/2022)
Staff shortages have forced more than half of councils in England to ration social care and support, a new survey has revealed.

b. LocalGov.co.uk - Your authority on UK local government - Councillors urged to ensure short-term funding reaches social care frontline (11/02/2022)
Councils have been urged to access short-term funding from the Government to boost the pay of social care workers.

c. LocalGov.co.uk - Your authority on UK local government - White paper aims to improve links between social care and the NHS (9/02/2022)
The Government has outlined plans to bring local government and the NHS closer together under its new Integration White Paper.

d. There's a smarter way to fix the social care crisis than raising national insurance | Polly Toynbee | The Guardian (1/02/2022)
Opinion article in Guardian RE: Integrating health and social care
In an opinion piece, Guardian columnist Polly Toynbee writes about how Northumbria's NHS trust could be a model for integrating health and social care, as well as paying staff a better wage. The trust has bid for social care contracts from local authorities which would usually be awarded to private providers, integrating domiciliary care within the health service and is also planning to build care homes to take over residential contracts.

e. Mirror: Thousands of elderly residents kicked out in 'tsunami' of private care home closures (17/02/2022)
Private care homes shut
There has been an increase in private care homes being forced to close due to pressures from the pandemic, according to reports. The number of private care operators handing back local authority contracts has more than tripled in 22 months, with 1,939 care contracts being handed back to councils last year.

f. 'Care home closures are failing a generation of elderly people and their families'
A measure of a civilised society is how well it treats its elderly and vulnerable. Which is why Britain should hang its head in shame at the failure to give so many the dignity and security they deserve in old age. As we report today, they are paying the price for our broken system of social care.

g. Thousands of elderly people are being **kicked out of care homes**, often a short notice, because private providers are closing down. **Desperate families** turn to councils for help, only to discover they do not have the resources to provide care. The crisis puts pressure on the NHS, which is unable to discharge patients due to the shortage of residential places. Mirror: 18 February 2022 (18/02/2022)

8. Appendices

Appendix A - Executive Response Template
Appendix B – Adult Social Care Costs Overview presentation slides

Appendix C – Update on Domiciliary Support – Task Group Q&A
Appendix 1, part of App C – Data charts relating to the increase in costs of Domiciliary Care Packages
Appendix D – Managing the Cost of Care presentation slides
Appendix E – Implementing the Care Act 2014 presentation slides

9. **Contacts**

Councillor Melissa March, Chair of Task Group Review
Email: Melissa.March@leicester.gov.uk
Leicester City Council
https://www.leicester.gov.uk/

Anita Patel, Scrutiny Policy Officer
Email: Anita.Patel@leicester.gov.uk
Leicester City Council
scrutiny scrutiny@leicester.gov.uk

10. **Financial implications**

10.1 The council budget report for 2022/23 made reference to the fact that due to the uncertainty the pandemic created in estimating future care package costs, an early review of the cost projections built into the 22/23 budget would take place.

10.2 Prior to the pandemic, in the years 2016-2020, adult social care package costs have been within +/- 1% of the budget. However, during 2020/21 growth in need (and hence growth in package cost) of existing clients dropped below the budgeted trend rate seen pre-pandemic and this continued into 2021/22. The impact of this and the loss of a significant number of older people in expensive residential care during 2020 meant that the actual gross package cost in 2021/22 was £6.7m less than had been assumed in the budget which was set in September of 2020.

10.3 The budget for 2022/23 was similarly set in September 2021, prior to knowing the full impact of the pandemic on 2021/22 and moreover assumed that growth in need would return to pre-pandemic levels both in the second half of 2021/22 and into 2022/23 albeit with some offsetting reduction in 2022/23 due to the continued application of strength-based reviews and the application of more care related technology.

10.4 In year growth in need in 2021/22 was 4.6% rather than the budgeted level of 6% (the rate incurred in 2019/20). A review of the performance IN the first half year indicates that the rate of growth in need is currently similar to 2021/22 and not returning to pre-pandemic levels. The impact of the backlog in client reviews on this rate is uncertain and it is unclear at this stage whether this reduction in increase in need is permanent.

10.5 A full review of all of the budget assumptions has been carried out in light of the financial out-turn for 2021/22 and the performance to date in 2022/23. As a result, in period 3 2022/23, the growth of £16m in gross package costs originally included in the 2022/23 budget was reduced by £7.4m to take account of the realised lower than expected growth in need in 2021/22 and the currently expected lower growth in need in 2022/23.

10.6 Whilst this is a significant reduction it still means a gross package budget of £160.7m is required for 2022/23, rising to £181.3m in 2023/24.

10.7 A considerable amount of work is being done to limit package cost increases with greater emphasis on strength based social work and greater use of technology.

Martin Judson, Head of Finance

11. Legal Implications

This report outlines the review undertaken by the Adult Social Care Scrutiny Commission and makes further recommendations based upon the findings. At this stage there are no direct legal implications arising.

Pretty Patel, Head of Law-Social Care & Safeguarding. Tel: 0116 454 1457

12. Equality implications

This report highlights several equalities issues that may impact people from a range of protected characteristics in relation to the cost of care. Recommendations made in the report may lead to the development of proposals, and there needs to be consideration given to the impacts of any developments with the need to give due regard to how it will affect people who share a protected characteristic. This should include reviewing any Equality Impact Assessments that have already taken place for specific policy/work areas or doing one from afresh for any new policy change.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Kalvaran Sandhu, Equalities Manager, Ext 37 6344

13. Climate Emergency implications

There are no significant climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

END OF REPORT.

Appendix A ‘Executive Response to Scrutiny’ template

The executive will respond to the next scrutiny meeting after a review report has been presented with the table below updated as part of that response.

Scrutiny Recommendation	Executive Decision	Progress/Action	Timescales